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NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

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REGULAR FEATURES

Management Record

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• In the Record •

Employee Savings Plans Outside the Oil Industry

In an America of installment buying, thrift has often been called an "anachronism," "a nineteenth-century virtue," and a "cultural lag." The campaign against saving has at times been waged with considerable energy. One overzealous advertiser even dug up a quote from Ben Franklin on the benefits of spending and luxury.

Yet, for most Americans, saving is a necessity, especially to provide additional income when it is time to retire. And, increasingly, companies are assisting their employees to save through employee savings plans. Once largely an oil company device, these plans have spread to several other industries in the past five years.

The article on the next page examines twenty-three employee savings plans—nineteen in manufacturing and four in public utilities. Topics covered include the rate of employee savings, the amount of company contributions, the investment of funds, and withdrawal rights of participants.

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A Look at the 1960 Labor Contract in Steel

The cost-of-living clause in a labor contract, many argue, has usually been a kind of one-way street. The clause is designed to protect wage gains from inflationary erosion.

This year's steel contract, however, includes a cost-of-living provision with a new twist. The c-of-l arrangement in that industry is now subject to modification by a predetermined formula if the estimated cost of the noncontributory insurance program should rise. In effect, the street may have been opened to two-way traffic—a traditional employee protection has become a "dual" protection.

The article on page 9 reports this and other key provisions of the vital steel agreement. It summarizes the handling of the hotly disputed work practices question and briefly considers the inflation issue.

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The Serious Business of Business Games

The game of monopoly has been popular with the American people for several decades now. They like to play it. But no one, to our knowledge, has suggested that monopoly is sound training for becoming successful in the real estate business.

After the first flush of enthusiasm, some observers have come to similar conclusions about the business games. Sure, they're fun to play, but so are bridge and golf. The question is, will the management man be a more successful executive because for a day or so he plays at being president or production manager in a make-believe company? Does he really learn anything about how to run a business?

Proponents answer with an emphatic yes. The games, they believe, provide a realistic and vivid experience that is "absorbed" by the players, rather than just intellectually understood. And while the consensus is that the games should be viewed as *one*—not *the*—training technique, it is felt that they are an important addition to an over-all development program.

How various games are designed, how they work, what they can and can't do are part of the evaluation of business games that appears on page 6.

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Trends in Making Employee Attitude Surveys

Since complainers are often more voluble than noncomplainers, it may come as a surprise to a company to learn that it has general employee endorsement of its policies. Yet attitude surveys usually reveal precisely this. They also disclose that, in most cases, in spite of considerable attention to the problem of communication, bottlenecks in this area still exist. In addition, many managements discover that maximum and optimum communications are not the same.

Hence the attitude survey has become quite a valuable tool, and much effort has been expended in its refinement. Over the years, better questions have been constructed, written and combination oral-written surveys have grown in popularity, and standardized forms have been developed. Significantly, the importance of an adequate follow-through has been widely recognized. For an analysis of trends in making attitude surveys, see the article on page 16.

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Trends in Executive Bonus Plans

The importance of the executive bonus as part of the over-all compensation package for key men in an organization is well established. To get a picture of the bonus plan in operation today, the Board has analyzed seventy-four plans; to gain perspective, these plans have been compared with a group studied by the Board in 1947. One of the apparent trends in these plans is toward greater inclusion of middle management people: 93% of the current sample covers this group; 70% of the 1947 sample did. But, in contrast, only 15% of the 1959 plans extend through the lower management ranks, while 30% of the 1947 plans covered all management levels.

"Trends in Executive Bonus Plans" starts on page 12.

Employee Savings Plans Outside the Oil Industry

Unlike the oil plans analyzed last month, a substantial number of these plans provide for short-term saving, the majority in combination with a long-term feature

In the January issue of the Management Record, twenty-one savings plans in the oil industry were described.[1] The present article is an analysis of twenty-three similar plans in companies outside the oil industry—nineteen manufacturing companies and four public utilities.

UNTIL quite recently, the employee savings plan was largely an oil company device. However, particularly within the last five years, it has appeared in key companies in several other industries. As a result, although oil is the largest single industry using this benefit plan, in all probability it no longer has a majority of the plans in existence. At the beginning of 1959, for example, a Conference Board survey indicated that close to 60% of the savings plans in this country were outside the petroleum industry.[2]

Among 569 companies listed on the New York and American Stock Exchanges for whom information was available, seventy-nine said that they had an "employee thrift-savings plan."[3] Fifty of these were in industries other than petroleum—thirty in manufacturing and twenty in nonmanufacturing industries. The distribution of these fifty plans among various industries is shown in the accompanying table.

SAVINGS PLANS DEFINED

As used in this article, a savings plan includes the following basic elements:

- Voluntary employee savings, within a specified range, are made through payroll deductions.
- Company contributions are based primarily on the level of employee savings.
- The combined funds are put into a qualified employee trust for deferred distribution.
- Company stock and government securities are the predominant form of investment.

This definition has three important effects. One is that by requiring company contributions to the plan, nearly all straight stock-purchase plans are eliminated.

The second is that by requiring a qualified trust fund with distribution of securities deferred beyond the time of purchase, an important segment of stock-bonus plans is eliminated. These are the plans in which the government bonds or company stock purchased by the employee are given to him at the time he makes the final payment, and the employer bonus —in the form of company stock—is distributed as soon as it is earned.[1]

The third important effect of this definition is that by requiring company contributions to be geared primarily to the level of employee savings, nearly all contributory deferred profit-sharing plans are eliminated. Under a standard contributory profit-sharing plan, company contributions in any year depend entirely on the profit level that year (although an employee's prorated share of the profits will depend on his savings).

[1] This deferred-distribution requirement also eliminates any standard stock-purchase plan that might be construed to involve employer contributions, such as stock options for rank-and-file employees or stock-purchase plans in which stock is sold at a discount.

Savings Plans Outside the Petroleum Industry

Industry	*Plans*
Manufacturing	
Chemicals	5
Primary metals	4
Food	4
Stone, clay and glass	3
Machinery	3
Electrical machinery	2
Fabricated metals	2
Transportation equipment	2
Other manufacturing	5[a]
Total manufacturing	30
Nonmanufacturing	
Gas and electric utilities	7
Finance, other than banks and insurance	5
Mining	4
Retail trade	3
Transportation, except railroads	1
Total nonmanufacturing	20

[a] Includes one plan each in apparel, paper, leather, instruments, and miscellaneous manufacturing.

[1] See "Employee Savings Plans in the Oil Industry," p. 2.

[2] "Compensation of Top Executives," *Studies in Personnel Policy*, No. 173, 1959, p. 12 and p. 54.

[3] These 569 companies represent only 47% of the 1,233 companies listed on the two exchanges in the industries studied: manufacturing; retail trade; electric and gas utilities; transportation; and finance (other than banks and insurance underwriters). However, it is almost certain that another 352 companies in the sample do not have savings plans since they were not mentioned in the proxies that were available. The remaining 312 listed companies for whom no data were available are not likely to have savings plans, either. They are relatively small companies, mostly with sales under $10 million.

In most of the savings plans included here, the company contribution in any year depends *entirely* on the amount of savings by participating employees, since the company contribution is a specified part of each employee's savings. In some of these plans, however, company profits are a "secondary" factor in determining the company contribution. In these plans, the *rate* at which employee savings will be matched depends on profits. For example, if profits are below 6%, the company may contribute 50 cents for each dollar an employee saves; but if profits rise above 6%, the company contribution jumps to 75 cents on $1.[1]

The Savings Cycle

Although the plans that fit the above definition are quite similar in detail, one further classification is useful. This is the length of the normal "savings cycle." Three basic patterns are apparent:

1. Long-term savings plans are designed primarily to provide supplemental income at retirement. As a result, the normal savings cycle runs from the beginning of participation until retirement.

   Most of these plans, of course, provide for a full pay-out for separation due to death or total and permanent disability. And an employee may have some rights to the company contribution if he quits; in some plans he can also withdraw company funds without terminating employment. But even so, the basic intent of these plans is a long-term savings program for retirement income.

2. At the other extreme are the plans designed around a short-term savings cycle. In these plans, company and employee contributions made in one year are paid out automatically two or more years later.

3. As might be expected, some companies combine the short-term plan with a long-term plan to meet the different savings needs of participants.

It might be noted here that the twenty-one oil industry plans analyzed in the January *Management Record* are distributed among these three classes quite differently from the twenty-three plans outside the oil industry that are included in this article. Only one of the oil company plans is exclusively short term; three of the nonoil plans are. Sixteen of the oil company plans are exclusively long term; nine of the plans outside the industry are. Only four oil plans combine the long- and short-term provisions; but eleven of the plans in this article use this device.

THE THREE SHORT-TERM PLANS

The three short-term plans are in manufacturing—two chemical companies and an optical instruments maker. Although all have essentially a three-year savings cycle, they differ in important respects, especially in the investment choices open to employees and in the vesting provisions.

Plan 1: For Salaried Only

This short-term plan limits participation to full-time salaried employees over age twenty-one who are not officers or directors and who are not participants in the company's stock-option plan.

The plan has a cycle of thirty-seven months, with a new cycle beginning each January 1. Employee savings and company contributions are made only during the first twelve months of the cycle; these savings are invested in company stock, which is held for another twenty-five months before it is automatically distributed to the employee (along with any dividends earned on it).

If a participant should retire, die, become totally and permanently disabled or be permanently laid off before the end of the cycle, he receives the entire account, even though the cycle is not completed. If he terminates employment for any other reason, he forfeits all stock and earnings attributable to the company contribution. The same rule applies if a participant withdraws his own savings while still employed; he must withdraw all his savings and thereby forfeit all company contributions.

An eligible employee enters the plan by authorizing payroll deductions of either 3% or 5% of his total salary (including commissions, management incentives, overtime pay and any other special payments). He may change his rate of savings only on January 1 or July 1. The company contributes 50 cents for each dollar saved by the participant; however, total company contributions are reduced by any forfeitures that may result from withdrawals or termination of employment.

Plan 2: A Variety of Investment Choices

This short-term plan is based on a three-year cycle, with a new cycle beginning the first of each year. Employee savings and company contributions are made during the first twelve months of the cycle and are distributed two years later.[1]

Every domestic employee over age twenty-one with at least a year of service is eligible to join the plan by authorizing payroll deductions of 2%, 3%, 4% or 5% of his base salary; savings are limited to $600 a year. Within these limits the participant may change his savings rate at the start of any new quarter of the year. Similarly, he may suspend deductions for three to twelve months, but total suspensions may not exceed twelve months in four years.

For each dollar an employee saves, the company

[1] In exactly the same fashion, length of service is a "secondary" factor in some plans. A participating employee with less than five years of service may receive 50 cents on the dollar; an employee with more than five years, 75 cents.

[1] However, nothing is distributed during the first four years of participation; contributions made during the first year are held for three years rather than only two years.

contributes 50 cents (except that total company contributions are reduced by any forfeitures of company funds resulting from withdrawals from the plan).

The entire company contribution is invested in company stock. But the employee has three investment choices for his own savings: (1) company stock; (2) government bonds; and (3) a fund of diversified industrial stocks and bonds chosen by the trustee. However, no more than one-half of employee savings can be invested in company stock.[1] On the other hand, all of his savings can go into government bonds or the diversified fund, or one-half can go in each.

At the end of each cycle, an employee receives all of the securities in his account, including any earnings on them. Similarly, if he leaves the company because of total disability, retirement or death, the entire account is released to him or his beneficiary. If the employee leaves the company for any other reason, he forfeits all undistributed stock and earnings based on company contributions.

The same rule applies if he withdraws his own savings while still employed; he must withdraw all of his savings and thereby forfeit the company's contributions. And he cannot re-enter the plan for another six months.

Plan 3: Liberal Withdrawal Provisions

This short-term plan, in effect, has a four-year cycle for employee savings and a three-year cycle for company contributions.

All employees with two or more years of service can participate in the plan by authorizing payroll deductions of from $12.50 to $37.50 per month for the purchase of United States savings bonds.[2] For each dollar the employee invests, the company contributes 25 cents for the purchase of company common stock (again, total company contributions are reduced by any forfeitures of company funds resulting from withdrawals from the plan).

After four years of participation, an employee receives the savings bonds purchased in the first year and any full shares of company stock registered in his name for two years. Each following year, he receives one year's purchase of savings bonds and any company stock registered in his name for two years.[3] If an employee leaves the company because of death, disability, retirement or layoff due to lack of work, he receives all of the funds held in his name, including company contributions.

[1] An employee can vote any shares of company stock credited to his account whether purchased with his own or company contributions.

[2] The participant may increase or decrease his deductions within these limits at any time. Deductions may also be suspended for one or two months, but only once in a year. If a suspension exceeds sixty days, or if the participant stops his deductions more than once in a year, he must withdraw from the plan. He may re-enter the plan one year after withdrawing.

[3] Cash dividends on full shares are paid directly to the employee, whether or not the actual shares have been delivered to him.

If he leaves the company for any other reason, the employee also gets the entire account, provided he has participated for one year; if his current participation is less than a year, he forfeits all company contributions. Similarly, an employee with at least one year's participation can withdraw his entire account, including the company contribution. If he has less than one year's participation, he can only withdraw his own contributions; he forfeits the company contributions. Furthermore, he cannot re-enter the plan for twelve months.

COMBINED SHORT- AND LONG-TERM PLANS

As already indicated, eleven of the twenty-three plans are the combination type. In effect, they combine a long-term savings program with a short-term savings cycle. Four of these plans, from the same industry, are virtually identical and are discussed as a group below; two other plans, in a single industry, are basically similar, and they, too, are discussed together. The remaining five plans differ in detail and are described individually.

Plan 1: Only Company Contributions for Retirement

This plan, one of the above five, is based on a four-year savings cycle, with a new cycle beginning each January. Company and employee contributions are made only during the first year of a cycle but are held for another three years. At the end of the four years, the participant must take all securities purchased with his own savings. And unless he specifically elects otherwise, he also receives the securities purchased with company contributions. However, he may elect to leave all or part of these securities until retirement or termination of employment. If he chooses to leave company-bought securities in the plan, he cannot get them until termination, except in a "serious emergency."

Any employee may join the plan by authorizing payroll deductions of 1% to 6% of straight-time salary.[1] His savings are invested entirely in United States savings bonds. For each dollar the employee saves, the company contributes 50 cents (except that total company contributions are reduced by any forfeitures resulting from employee withdrawals). Company contributions are invested entirely in savings bonds or entirely in company stock, whichever the employee chooses.

A participant can withdraw, prior to termination of employment, bonds bought with his own savings at any time before the end of the short-term cycle; but if he does so, he forfeits his right to the matching company contributions (although he receives any earnings on these company contributions).

However, special allowances are made in case of a

[1] Employees in bargaining units can join only if they have the agreement of the bargaining unit.

strike or temporary layoff. After two weeks on layoff because of lack of work, an employee can withdraw all or part of his own bonds and not forfeit any of the company contributions; if the layoff exceeds six months, any remaining savings of his own and all company contributions are distributed to him. An employee who is absent without pay for two weeks because of a strike also can withdraw all or part of his own savings without forfeiting company contributions—if he replaces these savings within six months after returning to work (or by the end of a cycle, if it is sooner).

If an employee is terminated because of the permanent closing of a plant, total and permanent disability, death, or retirement, he (or his beneficiary) receives not only his own savings but all company contributions in his account as well.

If his employment is terminated for any other reason, the employee may still receive company contributions provided that he is willing to leave his savings in the plan until the end of the respective savings cycles.

Plan 2: Retirement Option at End of Cycle

Four virtually identical combination plans, all found in the same industry, closely resemble the plan outlined above.

These plans are based on a four-year savings cycle, with a new cycle beginning each January. Company and employee contributions are made during the first year and held for three more years. At the end of that time, the employee has three options: (1) he may take his entire account, including company contributions; (2) he may take his own savings and leave company contributions in the plan; or (3) he may leave both his own and company contributions in the plan, with the right to withdraw his own savings at any time without forfeiting company contributions. If he chooses to leave company contributions in the plan, regardless of the disposition of his own savings, he cannot get these contributions prior to termination of employment except in the event of "unusual hardship."

Any full-time salaried employee not covered by a supplemental unemployment benefit plan is eligible to participate after one year of company service by authorizing payroll deductions of 2% to 8% of his salary.[1]

How much a participant can save depends on his length of service.[2] Three plans use the formula shown at the top of the next column.

Length of Service	*% of Regular Salary*
1 to 5 years	2, 3, 4, 5
6 to 10 years	2, 3, 4, 5, 6
11 to 15 years	2, 3, 4, 5, 6, 7
Over 15 years	2, 3, 4, 5, 6, 7, 8

The other plan uses this modification:

Length of Service	*% of Regular Salary*
1 to 5 years	2, 3, 4
5 to 10 years	2, 3, 4, 5, 6
10 years and over	2, 3, 4, 5, 6, 7, 8

For each dollar an employee saves, the company contributes 50 cents.[1] The entire company contribution is invested in company stock. The employee, however, invests his own savings either in United States Government obligations (savings bonds or other obligations) or half in governments and half in company stock.[2]

Prior to the end of each savings cycle, a participant may withdraw either one-half or all of his own savings while still employed; if he does this, however, he loses the matching company contributions. Similarly, if he leaves the company prior to the end of a savings cycle he loses company contributions attributable to that cycle. But in the case of permanent layoff, total and permanent disability, retirement or death, he receives his entire account, including all company contributions.

Plan 3: Retirement Option at Beginning of Cycle

Two other basically similar plans, both found in the same industry, resemble closely the five already discussed. In these plans, at the end of each year, the employee decides whether his own and the company contributions for that year are to be used for short-term savings or for retirement income. If he chooses short-term savings, all securities bought during the year are released to him five years later.[3] If his choice is the long-term program, the securities are held until retirement or termination of employment. However, after they have been held for five years, the employee may withdraw his own savings without forfeiting company contributions; but company contributions cannot be withdrawn until termination.[4]

All salaried employees (with one year of service in one company and nine months in the other) may participate in the plan; however, in one company, par-

(Continued on page 26)

[1] One plan does not cover anyone in a bargaining unit or anyone in the stock-option plan. The other three cover salaried employees in bargaining units not covered by SUB if there is union agreement on extension of the plan to the unit.

[2] Within these limits an employee can charge his savings rate at the beginning of each quarter. If he suspends contributions entirely he must wait until the next plan year begins before re-entering.

[1] Except that total company contributions are reduced by any forfeitures resulting from employee withdrawals.

[2] One plan uses only savings bonds and no other government securities.

[3] And the company guarantees that their value will at least equal the cash the employee contributed, plus interest at the government bond rate.

[4] At the end of the fifth year, if the value of the securities is not equal to the cash the employee contributed (plus interest at the government bond rate) the company contributes the amount needed. However, no further guarantee of value is made by the company.

The Serious Business of Business Games

In today's use of the business games, there seems to be less game and more business, as this evaluation of what the games can and can't do points out

WHEN BUSINESS GAMES were introduced to the management development scene a couple of years ago, they were greeted with an enthusiasm unusual even in a field not distinguished for its sales resistance to fads. With a whoop and a holler, innumerable managers were sent off to risk the futures of their imaginary companies in the fortunes of simulated economic wars. "Let's pretend" seemed about to become the order of the day.

Games, it was said, would provide *the* method by which management could be taught. It was promised that the games would provide years of "business" experience in a few hours or days, experience in business decision making which could be directly applied on the job. Such claims made it seem that here at last was a training method which would usher in the era of truly professional management.

Today, claims tend to be far more modest. The first flush of enthusiasm has died down, to be replaced with a more reasoned evaluation of the games as a training technique and of the purposes that they can serve in management development programs. Now, it is said that the business games are one of a number of valuable training methods, each of which has its own special strengths and weaknesses. Yet, within the area of their effectiveness, the business games can provide a type and an intensity of experience which other methods seldom achieve. And when used with other methods, say many training men, the games can be an important addition to a total management development program.

In this context, The Conference Board consulted six companies with varied experiences in using training games in their management development programs. A seventh firm, a large insurance company, has considered employing business games but has decided that other training methods are better suited to its present needs. A university management development program which includes a game was also contacted in the survey.

All those using this training technique report that real value can be derived from the business games. But all readily concede that the games cannot be relied upon as the sole method of development. And several men express concern that some companies, which have been disappointed because of their unrealistically high expectations, might now throw out the baby with the dirty bath water. They feel that criticisms should be directed toward the improper "fad" use of the games rather than to the technique itself.

The question then might be asked why the games were so enthusiastically received initially. What factors account for the rapid spread of the games and their application, at times, to training problems for which they were never intended?

NOT A NEW DEVELOPMENT

To begin with, training games are not a new development. Law schools have long supplemented the study of the principles of law and past precedents with experience in the moot court. Here students could argue difficult cases before the faculty "judges" to gain experience in the application of principles to specific problems and in the orderly and effective presentation of a case.

An even more familiar example of training games is provided by the armed forces. Since it is impossible in peacetime for officers to gain experience in wartime command, simulated wars have been arranged to provide opportunities for realistic training experiences. Such "games" have varied all the way from map and sand table exercises to field maneuvers involving the controlled use of live explosives. Officers have been required to make command decisions under the pressure of constantly changing battle conditions.

Business games are of much the same nature, and thus they have similar appeal as a training method for the competitive, constantly changing business world. And the fun of playing the game, of temporarily carrying great responsibilities in the simulated "company," of making sweeping decisions for the "company," and of quickly learning the consequences of one's actions have made for easy acceptance by those managers who have participated in this form of training.

WHAT A BUSINESS GAME IS

A business game is a working model of the real business world. It might be called a case study in motion. Like a case study, it requires an intensive search for the factors underlying the surface situation and an analysis of those factors. Motion enters the case because the players must take action based upon their

analysis. These actions in turn alter the situation, necessitating further analysis and further action, which leads to further changes in the situation.

To put it technically, a business game is a dynamic training exercise based upon a mathematical model of an economic situation. The model is composed of a series of relationships among selected factors thought to influence the business situation being simulated. Players are provided periodically with certain information concerning the current situation. Through the analysis of this information, and observation of how the situation alters in response to their actions, the players must determine the nature of the underlying relationships and they must decide upon the best course of action to achieve certain predetermined goals.

Umpires, with a precise knowledge of the governing relationships, and sometimes using electronic computers programmed for the game, change the situation in accordance with the players' decisions and issue periodic reports of the new status.

The foreshortened time of the game, in which a month or quarter in the history of a "company" occurs in fifteen minutes or a half hour, and the feedback of the consequences of any action, in the form of the umpire's reports of the current economic situation, demand that the players evaluate what they are doing. This feedback of performance reports, which is the heart of the performance-appraisal approach to management development, is a built-in aspect of the business games.

What's in a Name—A Game?

Throughout the accompanying article the terms "business game," "player," and "playing" are used pretty consistently. They are the terms generally found in connection with the "business games."

However, in a number of companies other terms are in use. "Business model," "business exercise," "decision model," and "management decision-making laboratory session" appear instead of "games." "Trainee" or "participant" are sometimes used instead of "player."

There is a feeling in these companies that "game" is actually a misleading term, that it suggests something frivolous, a frill which has no place in the serious work of developing greater managerial competence. While they admit that the games are fun to "play," learning and not recreation is their purpose in using them.

Other companies use the term "game." They point out, however, that the word is used in the sense of "competition" or "contest." Needed training experience is the vital product of the contest; enjoyment is only a useful by-product.

No matter what they are called, it seems, the business games are not "games."

How a Game Works

A marketing game might involve the competition of several "companies" with identical products in a common market. Initially the companies would be equal in all respects, except in the judgment and skill of their player "managements." The objective of the companies might be to capture the largest share of the market or to attain the greatest increase in net worth. "Managements" might be required to make decisions concerning selling prices, expected sales volume, investments in advertising and market research, and additions to the sales force. The relationships controlling this game could include the precise reduction in sales that would result from any given increase in unit price; the increase in sales that could be expected from any increase in advertising expenditure; the reduction in size of the total potential market for the product that would result from a general price increase, and so forth.

If the training needs required it, such a game could be further complicated by using several different markets, a number of different products, starting the companies from unequal positions, or any other variable which it was thought useful to introduce.

The hypothetical game described is an example of an interactive game. That is, the actions taken by one "company" during the course of play affect the positions of the competing "firms." "Managements" must not only discover and take advantage of the economic laws built into the basic model, they must also outguess their competition in devising the best strategy for attaining their objectives.

Every game is not this wide in scope, however. In fact, all sorts of games have been devised. Some stress over-all company performance and require company-wide decisions; others involve only one functional area of a business. Some are interactive; others pit management teams against some established "par" performance. Some games are so complex that computers must be used by the umpires to follow the action of the games; in others the relationships may be read from charts and nomographs, with only paper and pencil or desk calculators needed.

The variations in the games developed have been a response to the differing training needs of the companies using them. The companies contacted by The Conference Board report that it is important to select a "ready-made" game which is particularly adapted to the company's needs or else to develop a game specifically for the individual company. In fact, the Boeing Airplane Company has itself developed several games, each designed for specific training purposes.

Several of Boeing's games use the "In"-basket technique. The player is assigned to a "position" in the "firm." Information on the simulated situation comes to the player in a series of reports, memos, and letters

put into his "In" basket. The player makes his decisions and records them by answering the correspondence and writing reports which all go to the umpire via the "Out" basket. But in this variety of game, as in the others, the general problem facing the player is the same. He must quickly find answers to two questions: "What's going on here?" and "What should I do about it?"

Typically, players discover "What's going on here?" fairly quickly. The games are not for the totally uninitiated; they presuppose sufficient knowledge of the business situation being simulated so that the player will be able to grasp the nature of the economic forces at work. It is one of the characteristics of a "good" business game that it approximates real life closely enough so that it is susceptible to analysis by businessmen.

DESIGN OF THE GAMES

Game designers agree that the present games do not duplicate real business life. They disagree, however, on whether a game should be an exact replica of the simulated situation, at least for training purposes.

Some men say, "The more realistic, the better." They feel that the more closely a game resembles the daily business world of the player, the greater will be the usable learning derived from playing the game and the better will be the player's performance when he returns to the job.

Other game designers deliberately avoid making their games too realistic. Their games simulate a general business situation rather than a specific industry or a particular company. Too much realism, they say, permits a player to perform on the basis of the normal operating procedures he has developed on the job. They believe that one of the chief values of the games is to force the players to analyze a business situation that is at least partially unfamiliar to them. The real benefit, in this view, is that players recognize the importance of constant analysis of their business situation and gain experience with some of the techniques of analysis.

Element of Chance

While all the simulations must be susceptible to analysis, and therefore basically cause-and-effect models, some games are designed to be a little more realistic by introducing an element of chance. In such a model, the "rules" will specify the possibility of certain things happening. Then the umpires will consult a table of random numbers, or some other statistical substitute for a roll of the dice, to determine whether a sale has been made or a research and development program has paid off, etc.

Again for realism, many games introduce a time lag between some decisions and their effects. For instance, deciding to invest in plant expansion might reduce working capital immediately, but the increased production from the plant will be available for sale only two or three rounds later, after the "plant" has been "built."

That you play to learn, not just to win, is almost always stressed when the gaming approach is used in management development programs. The play itself is only one phase of a gaming session. A briefing on the game and its purpose in the development program precedes the actual play.

THE CRITIQUE PHASE

A critique phase usually follows the stipulated number of rounds of play. This phase is frequently cited as the most valuable part of the whole gaming session. For the first time, players are given full information on what actually was happening in the total situation during the course of play—their competitors' positions and "moves" as well as their own. With the pressure for rapid-fire analysis and decision making past, they can go back over the game, round by round, comparing their earlier analyses with the actual situation at the time they made them, to learn why the "economy" reacted to the moves of the "companies" as it did.

The critique sometimes takes the form of a guided but general discussion. Each team may make a formal presentation of the strategies it employed during play. Occasionally a top-level company officer or an outside consultant is used to analyze the game, relating the strategies and the game's outcome to generally accepted principles of business management.

One company contacted by the Board reports that it uses two critique sessions, one at the end and one mid-way in the playing phase. The mid-way critique occurs after about "two years" of company operations under the new "managements." At this time, the teams are permitted to review developments in the situation to date. Each team compares its strategies with those of its competitors. Then, each team is given about a half hour for reviewing its own situation and mapping new plans. When play resumes, say the umpires, the players can hardly be recognized as the same men who "managed" the "companies" during the first half. They are better organized, they analyze their data more effectively and make better decisions more promptly. In fact, it is reported that the men tend to handle well all the factors that they were having trouble with before the critique.

Several men who have worked with the games say that as much time as possible should be given to the critique phase. Obviously, actual play must go on long enough for the players to uncover the governing relationships, to develop their strategies and programs, and to observe the results they obtain. For this purpose, sixteen to twenty rounds, representing four to

(Continued on page 24)

A Look at the 1960 Labor Contract in Steel

The "work practices" issue, wages, pensions, insurance, seniority, as well as the question of inflation as it relates to steel are all examined here

THE NEW labor contract signed on January 5, 1960 by eleven major steel producers and the United Steelworkers of America brought to an end one of the most protracted and difficult negotiating periods the steel industry has ever known—a period marked by a strike of 116 days and billions of dollars in lost wages and production.

The increased employment costs did not immediately result in price increases by the major producers. Roger M. Blough, chairman of the board of the United States Steel Corporation, said at the time of settlement:

> "I have been asked whether or not the settlement recommended by the government in the steel industry will involve a change in the general level of our steel prices. . . . The recommended settlement will add materially to our present costs and if the development of competitive and all other factors affecting price dictates a change in our situation, we will necessarily be required to take whatever steps are then indicated—but for the present we do not plan any change in the general level of our prices."

Mr. Blough also said that "whether steel prices rise or not, inflationary wage increases in construction, motors, steel, oil, or other major industries ripple out over the entire economy as other unions strive to catch up to the new high level. . . ."

Later, on January 18, Mr. Blough said that no commitment had been asked by or given to the government officials recommending the terms of the settlement with respect to the company's price action in the future. While admitting that the agreement was inflationary to a degree, he termed its inflationary effect "less than half as great" as that resulting from the 1956 labor contract.

The cost of the total package, just in terms of cents per man-hour, is 26.8 cents, plus a maximum possible cost-of-living increase of 6 cents. However, in actual practice, the total rise in employment costs over the thirty-month period of the contract has been estimated by some analysts as between 39 and 41 cents.

To illustrate, the 7-cent wage increase, together with the .2-cent increase in the increment for job classifications, result in an increased employment cost of 11 cents when their effect in other areas is included. These other areas are vacation costs, holiday and Sunday premiums, pensions, and incentives.

The "Work Practices" Issue

Problems arising under the heading of "local working conditions"[1] will be turned over to a single joint committee representing the eleven companies on the one hand and the union on the other, with a neutral chairman to be selected by mutual agreement at a later date. The committee is to study the pertinent provisions (these are carried over from the 1956 contract), together with the manner in which they have been applied, and make recommendations no later than November 30 of this year. In another agreement on the subject of working conditions, it was decided that a grievance settlement of a particular problem which is made prior to full arbitration of that issue would not be considered a binding precedent in other and similar situations.

At one point in the negotiations the companies offered to submit this issue of "working conditions" to arbitration in the form of the following question:

> "What, if any, changes should be made in the local working provisions to enable the companies to take reasonable steps to improve efficiency and eliminate waste with due regard for the welfare of the employees?"

The Steelworkers were reported by the company negotiators to have rejected this offer. In its last offer on this matter, U. S. Steel added the following to the text of the proposed question: "... including the avoidance of undue work burdens; and, to the extent practicable, the retraining and placement, on available jobs in the plant, of any employees affected by such steps."

However, the memorandum of agreement reached on January 5 does not provide for arbitration as a means of settling this issue.[2]

"Protection" Against Rising Costs

Just as a cost-of-living clause attempts to protect the employees' wage gains from rising living costs, the new contract tries to protect the companies from mounting insurance costs. If such costs go beyond a level defined by a specific formula in the contract,

[1] For an analysis of this subject, as set out in an arbitration award granted under the 1956 contract of the U. S. Steel Corporation, see the *Management Record,* November 1959, p. 365.

[2] For an example of the use of arbitration on "work practices" after the failure of negotiations, see the *Management Record,* September, 1959, p. 274.

they will be offset by the 6-cent maximum allowance for cost-of-living increases. This linking of the two "protections," one for the employees and one for the employers, is a unique feature. (Details of the formula are given later in the article.)

The Wage Increase

Wage rates are maintained at former contract levels until December 1, 1960.[1] At that time workers will receive a general 7-cent hourly increase and an increment increase between job classes of 0.2 cent an hour. Ten months later, on October 1, 1961, another 7-cent hourly raise goes into effect, together with an 0.1-cent increase in the difference between job classes. Existing rates among the thirty-two job classes range from $1.96 an hour to $3.97, with a differential of 6.7 cents between each class. Final contract rates as a result of increases will range from $2.10 to $4.20 an hour, reflecting a 7-cent differential between classes.

Insurance

The steel companies now assume the employees' share of the hitherto contributory insurance plan—a change that the union had been seeking since 1949. As a result, employees receive an immediate boost in take-home pay in amounts equal to their former contributions to the plan, which averaged a little over 6 cents an hour.

The contract also improves insurance benefits by raising the maximum scale to $6,500 per employee. Life insurance coverage is continued during layoff for up to two years. The first six months are paid entirely by the company, and the laid-off worker is given the option of continuing the coverage for an additional eighteen months by paying 60 cents per month per $1,000 coverage. In addition, workers with two or more years' service at the time of layoff get six months' continuation of hospitalization and surgical coverage.

Cost-of-Living Adjustment

No payment is to be made under the new agreement for the cost-of-living adjustment which the United Steelworkers claimed was due in January, 1960. The union had taken the position that since the old contract had been "continued" while the Taft-Hartley injunction was in effect, a 4-cent cost-of-living adjustment that would have been made in January under the terms of the old contract should be paid to employees.

Under the new agreement, cost-of-living adjustments will become effective with the first pay periods beginning in December, 1960 and October, 1961 rather than semiannually as in the 1956 contract. The 17-cent cost-of-living float is continued, but further increases are limited to a total of 6 cents an hour over the contract period. If the consumer price index exceeds 123.8 in October, 1960, employees will receive—on December 1—a penny an hour, up to a maximum of 3 cents, for each successive 0.5 point and 0.4 point increase in the index (an extension of the table used in the 1956 provision).

The second adjustment, based on the index for August, 1961, is payable the following October. This adjustment, plus any adjustment made during the previous year, may not exceed the allowable 6 cents.

As mentioned previously, both these annual adjustments are subject to reduction by a formula based on estimated increases in costs of insurance. Thus, if insurance costs go beyond $20.16 per person—the base average monthly insurance rate—then the cost-of-living maximum will be reduced by 0.1 cent for each full 18-cent monthly rise in insurance above the base cost. This means, however, that there would have to be an increase in estimated insurance costs of $5.40 per month per employee as of December 1, 1960 to wipe out the first cost-of-living adjustment, and one of $10.80 per month as of October 1, 1960 to wipe out the second.

Pensions

Like the pension plans negotiated by the Kaiser Steel Corporation, the American Can Company and the Continental Can Company, the basic steel plan grants a lump-sum allowance upon normal or early retirement that amounts to thirteen weeks' vacation pay (less any vacation taken or due in the year of retirement). Regular pensions do not begin until three months after the date of retirement. Furthermore, minimum pension benefits are increased to $2.60 a month for each year of service on or after January 1, 1960 and to $2.50 a month per year of service prior to January 1, 1960 for employees retiring after that date. Service up to thirty-five years, rather than thirty years, will be counted for minimum pension calculations.

The 1% pension formula is retained (1% of average monthly earnings during the last one hundred and twenty full calendar months of creditable service, multiplied by years of service, less Social Security). In calculating pension payments under the 1% formula, the Social Security deduction is reduced from $85 to $80 a month. Under a separate-letter agreement, employees retired before January 1, 1960 get a $5 monthly pension increase.

Other changes include a regular retirement pension for employees who have attained twenty years' service and age fifty-five and who are terminated by plant shutdown, or who experience a break in service resulting from layoff or sick leave. When an employee is terminated, he can get a regular early retirement pension if he has reached age fifty-three and has at least eighteen years' service on the date on which he stopped work because of shutdown, layoff, or dis-

[1] The last wage raise received by employees occurred in July, 1958. The last cost-of-living increase occurred in January, 1959.

ability. Also, early retirement at age sixty with fifteen years' service is permissible under conditions mutually satisfactory to the company and the employee. The new contract also increases the minimum disability pension from $90 to $100 for employees retiring on or after January 1, 1960.

Seniority

The Steelworkers are given an option of inserting into the labor contract of each of the major producers a new clause providing for "continuous service" in case of layoff or disability, or of keeping the clause from the old agreement if they should prefer that.

The new clause specifies that an employee absent from work due to layoff or physical disability may continue to accumulate continuous service up to a maximum of two years. He may retain such accumulated service for an additional period up to three years (depending on the amount of service at the beginning of the absence), provided that, after an absence of two years, he notifies the company in writing that he intends to return when called. The company is required to notify him by mail thirty days before his statement is due so that he may fulfill the notice requirement. Service is broken by absence in excess of five years or the amount of service at the beginning of the absence, whichever is less (except for a two-year minimum).

Human Relations Research Committee

The old agreement provided for joint committees of individual companies and the union to study questions relating to incentives and job classifications. Under the new contract, a different group, which is called the Human Relations Research Committee and which represents *all* eleven companies and the union, will study and make recommendations on these two matters, as well as on seniority, medical care, etc. Additional questions can be brought before the committee only by mutual agreement.

The committee will have an equal number of representatives from the companies and the union, as well as two co-chairmen, one designated by each party.

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Management Bookshelf

Management's Right to Manage—After an analysis of what has happened to management rights during the last twenty years, the author explores the varied ways in which management rights are lost, such as knowingly, by agreement; by poor judgment or lack of foresight; by poor language, or by spelling out only a portion of a management right. The final portion of this study describes an approach toward the preservation of management rights. *By George W. Torrence, Bureau of National Affairs, Washington D. C., 1959, 109 pp., $12.50.*

The Motivation to Work—The original material in this book comes largely from interviews with 200 middle management men. They were questioned at length about the times when they felt exceptionally good and exceptionally bad about their jobs. Current approaches used by many companies to motivate their workers (e.g., getting everybody into the act, training supervisors in good human relations practices, etc.) are examined critically. *By Frederick Herzberg, Bernard Mausner, and Barbara Snyderman, John Wiley & Sons, New York, New York, 2nd edition, 1959, 157 pp., $4.50.*

Can Capitalism Compete—Discusses how we can describe better the benefits of American capitalism in the face of the pressure of world communism. *By Raymond W. Miller, The Ronald Press Company, New York, New York, 1959, 264 pp. $4.50.*

Policy Making and Executive Action—A collection of cases for the teaching of business policy in executive development courses, graduate schools of business, and at the undergraduate level. *By Thomas J. McNichols, McGraw-Hill Book Company, 1959, New York, New York, 693 pp., $8.*

Marketing Policy and Strategy—A syllabus and reading list of current literature in managerial marketing. *By John E. Mertes, University of Oklahoma, Norman, Oklahoma, 1959, 84 pp., $2.80.*

Public Regulation of Business—A textbook covering the pricing process, the antitrust laws, and the regulation of transportation and public utilities. *By Dudley F. Pegrum, Richard D. Irwin, Inc., Homewood, Illinois, 1959, 732 pp., $9.*

Setting Sales Objectives for Small Business—Discusses sales forecasting from the viewpoint of the small businessman. *By Richard M. Hill, University of Illinois, Urbana, Illinois, 1959, 60 pp., $1.25.*

Practical Cost Accounting for Banks—The author presents techniques of cost accounting to be applied to various bank operations. The material is supplemented by illustrations of completed work sheets and a set of blank work-sheet schedules that can be completed by the reader as he follows the text. *By Marshall C. Corns, Bankers Publishing Company, Boston, Massachusetts, 1959, 210 pp., $18.75.*

Economic Plan and Action—An economic history of the United States in the years from 1946 to 1958 as seen by the former counsel of the National Planning Association. *By Charlton Ogburn, Harper & Brothers, New York, New York, 1959, 287 pp., $4.75.*

Trends in Executive Bonus Plans

This comparison of a group of 1947 plans with seventy-four current plans indicates that middle management is more often included in the bonus arrangement today

EXECUTIVE BONUS PLANS, for many years now, have been considered an important part of the compensation package—particularly for the key men in an organization. The popularity of this form of extra compensation is attested to by the extensive use of such plans in industry today. For example, of 644 manufacturing companies queried by the Board in 1959, 301 said they used some type of executive bonus plan.[1]

To get a picture of the structure of executive bonus plans today, a sample of these plans in operation in 1959 has been analyzed. To determine how the present plans may differ from those in use a decade or more ago, the 1959 group has been compared with those studied by the Board in 1947. The analysis suggests at least six significant trends:

- More executive bonus plans now pay bonuses down through the ranks of middle management. Fewer are restricted to top management.
- More plans now provide that the determination of a participant's bonus is discretionary, with a committee composed of board members usually having full authority to make that determination. Fewer plans base an individual's bonus on salary or on a fixed formula.
- More plans make a deduction from profits (representing a share for owners) before the bonus fund is calculated.
- More plans provide that the bonus fund is calculated as a fixed percentage of applicable profits.
- More plans now provide that bonus payments be both current as well as deferred until retirement or termination of employment.
- More plans provide for the payment of bonuses in installments over a period of years, usually four or five, and that the bonus be "earned out."

INCENTIVE BONUSES — 1959

To study incentive bonus plans in operation in 1959, several hundred plans were picked at random and reviewed. Seventy-four plans for which complete information was available were finally selected for analysis. The random selection appears to provide a sound basis for the study inasmuch as the plans cover a wide variety of businesses, and the companies range in size from a few hundred employees to many thousands.

Who Participates?

Of the seventy-four 1959 plans analyzed, fifty-eight, or 78%, have both top and middle management personnel as participants. Only 7% are restricted to top management, while 15% extend through the lower management levels.

Practically all of the plans in the sample state

Some Definitions

CURRENT BONUS PLAN is a plan that provides for a reasonably prompt pay-out, such as after the close of the year. Included are those plans that pay the bonus in installments during succeeding years.

DEFERRED BONUS PLANS provide that the entire payment is deferred until retirement or termination of employment.

COMBINATION BONUS PLANS provide that the bonus can be paid currently or can be deferred, in whole or in part, depending upon circumstances or upon the discretion of the bonus committee.

TOP MANAGEMENT, as used here, refers to the top echelon of management, the officers—the president, the executive vice-president, the vice-presidents.

MIDDLE MANAGEMENT refers to those who report to the top echelon, down to, and including, the functional heads—department heads or plant managers. In a larger company, middle management may also include the principal assistants to the functional heads.

LOWER MANAGEMENT refers to supervisory personnel below the functional head—the superintendents, general foremen, and first-line supervisors. Important administrative and professional personnel may also be included in this group.

[1] See "Compensation of Top Executives," *Studies in Personnel Policy*, No. 173, p. 11. The 301 figure quoted here includes twenty-seven deferred-bonus plans. In the following analysis of seventy-four plans, no deferred plans have been included. All plans analyzed in this article are either of the current or the combination current-deferred type.

that the participants are "officers and other key employees." But, in actual practice, it was found that this language was rather uniformly interpreted to include management personnel through the middle management level; however, lower management people are not included.

How Individual Bonuses Are Determined

In fifty-eight (or 78%) of the bonus plans, the amount of the bonuses awarded to participants is determined at the complete discretion of a committee of the board of directors. In only three instances is the bonus in exact ratio to salary, while in seven plans the bonus is based partly on salary and partly upon the discretion of the bonus committee. The remaining six use a variety of devices; three of these weight the salaries of participants in such a way that the higher levels of management receive a proportionately greater share of the bonus fund. Here is an example of the weighted method.

Participating management is divided into three groups: the president is Group 1; the vice-presidents make up Group 2; department heads and their equivalents comprise Group 3. To determine how much of the bonus fund is to be allocated to each group, the total salary of all persons in the group is multiplied by a weighting factor, as follows:

	Weighting Factor
Group 1	6
Group 2	4
Group 3	3

Then the bonus fund is prorated to each group on the basis of the weighted salaries. In effect, this provides a proportionally larger share of the bonus to those in the higher groups.

How the Bonus Fund Is Determined

Of the seventy-four plans, seventy, or 94%, gear the bonus fund to profits. Of these, fifty-two provide for a bonus fund calculated as a percentage of profits after certain deductions are made to represent earnings on capital. (See Table 1.) In a few cases, the amount to be deducted from profits is a fixed dollar figure; in other plans, a specified amount is deducted for each share of stock; in the vast majority of cases, however, the amount is a specified percentage of capital investment.

As shown in Table 2, the percentage of profits allocated to the bonus fund ranges from 1% to 25%, with 10% the most frequent allocation. As can be seen in this table, the percentage allocation tends to be substantially higher in the plans where a deduction in profits has been made for earnings on capital.

How Bonus Is Paid

The great majority of bonus plans (77%) pay currently and pay in cash (73%)—see Table 1. Nonethe-

Table 1: Main Provisions in Seventy-four Executive Bonus Plans in Operation in 1959

	Number of Plans		Per Cent of Plans	
Bonus Formula				
Bonus geared to profits	70		94%	
Formula applied with no deduction for capital		18		24%
Formula applied after deduction for capital		52		70%
Bonus geared to dividends	1		2%	
Other methods	3		4%	
Total	74		100%	
Who Participates in Bonuses				
Top management only	5		7%	
Top and middle management	58		78%	
Through lower management	11		15%	
Total	74		100%	
Determination of Individual Awards				
Awards at discretion of committee	58		78%	
Awards based on salary	2		4%	
Combination—part discretionary, part salary	7		9%	
Other arrangements	7		9%	
Total	74		100%	
How Bonus Is Paid				
Current only	57		77%	
Current and deferred	17		23%	
Total	74		100%	
Cash	54		73%	
Cash and stock	20		27%	
Total	74		100%	
Paid in installments	20		27%	

Table 2: Percentage of Profits Allocated to Bonus Fund—1959 Plans

Per Cent of Profits Allocated to Bonus Fund	No. of Plans that Make No Deduction from Profits[1]	No. of Plans that Make a Deduction from Profits[1]	No. of Plans	Per Cent of Plans
1%	1	..	1	1.4
2	1	..	1	1.4
3	2	..	2	2.9
4	3	1	4	5.7
5	2	5	7	10.0
6	2	1	3	4.3
6½	1	..	1	1.4
7	..	3	3	4.3
8	..	2	2	2.9
10	3	15	18	25.7
12	..	4	4	5.7
12½	..	2	2	2.9
15	1	3	4	5.7
20	..	1	1	1.4
25	..	1	1	1.4
Graduated—descending	..	4	4	5.7
Graduated—ascending	2	6	8	11.5
Other	..	4	4	5.7
Total plans	18	52	70*	100.0

[1] In determining the bonus fund.
*Of the four remaining plans, one was geared to dividends, while the other three determined the bonus fund by action of board of directors.

less, a significant portion of the plans combine current and deferred payments, as well as payments in both cash and stock. Although in most instances bonus arrangements are left entirely to the discretion of the bonus committee, in some cases, the committee does have certain broad limitations placed on it. For example, the plan may provide that the deferred portion is not to exceed 50% of the total bonus (if the total bonus exceeds a specified figure) nor can it be less than 25%.

Another significant portion of the bonus plans, 27%, provides for payment in annual installments, most frequently over a period of four or five years. All of these plans state that the installments are to be "earned out"; that is, future installments are not payable unless the participant continues his employment —except for death, disability or retirement. It is not uncommon, however, for the bonus committee to retain the right to make exceptions to this "earned out" principle.

TRENDS IN THE BONUS PLANS

The structure of executive bonus plans currently in operation is of considerable interest in itself; but there is added significance when some of the more important features are compared with the bonus plans studied by The Conference Board in 1947.[1]

Apparently there has been a shift toward greater participation of middle management in the executive bonus. In the plans studied in 1947, 30% were restricted to top management, 40% were extended to middle management, and 30% covered all management levels. This means, of course, that 70% of the plans covered the middle management group. In contrast, in the 1959 sample, 93% of the plans cover middle management. Also, some weight should probably be given to the shift in the number of plans for top management only. The 1947 survey figure is 30%; the 1959 figure is 7%.

While the reasons for this shift toward greater participation of middle management executives cannot be delineated here, it is evident that the great majority of the companies whose bonus plans are included in this survey have undergone considerable growth both in size and sales volume. Therefore it would appear likely that as the number of executive positions has increased and as positions have grown in breadth there may well have been a tendency toward including these executives in the bonus arrangement.

There also appears to be a significant trend toward a flexible bonus plan, under which the selection of participants and the amounts of their bonuses are determined at the discretion of a committee. The 1947 study found that 38% of the bonus plans were of the discretionary type. The 1959 study, on the other hand, found that 78% of the plans were discretionary. At the same time, bonuses tied directly to salary dropped from 19.2% in the 1947 study to 12% in the 1959 study.

Another apparent trend has been in the direction of making a deduction from profits for earnings on capital before applying the bonus formula to determine the bonus fund. Of the plans studied in 1947, only 36% made such a deduction, whereas of the plans studied in 1959, 65% made a deduction for capital investment before calculating the fund.

At the same time, the portion of plans that calculate the bonus fund as a uniform percentage of profits has apparently increased. The 1947 study showed 46% applying a uniform percentage, while the 1959 study showed 73%. The popularity of 10% as the uniform percentage, however, seems to have remained constant—it was 25% in 1947 and 25.7% in 1959.

Two other significant changes have apparently taken place. In the 1947 study, a number of deferred bonus plans were reported, but no combination current and deferred bonus arrangements were in evidence. The 1959 study, on the other hand, includes seventeen (23%) of the combination current-deferred type (as already indicated, no deferred plans are included in the 1959 sample). Also, the 1947 study did not include any plans of the installment type; 27% of the 1959 plans are of this kind.

In the course of the 1959 study, it was observed that many of the current-deferred bonus plans had been amended during recent years to provide the deferred feature. According to the companies making such amendments, the deferred feature was incorporated primarily for the benefit of the higher-paid executives, who would get substantial tax savings and receive greater retirement income by deferring a part or all of their bonus earnings.

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[1] See "Profit Sharing for Executives," *Studies in Personnel Policy*, No. 90.

Management Bookshelf

Wage Administration: Plans, Practices and Principles—The aim of this book is to give executives the information they need to function effectively in the difficult, important and challenging field of wage administration. It traces the development of various wage theories, showing how they were influenced by federal legislation and union attitudes. The book then explains and analyzes current wage administration tools—job evaluation, wage surveys, incentives, fringe-benefit programs, employee evaluation methods, and wage and salary controls—and shows how companies have used these tools successfully. *By Charles W. Brennan, Richard D. Irwin, Inc., Homewood, Illinois, 1959, 439 pp., $8.10.*

Can Test Scores Predict Job Success?

WHEN PSYCHOLOGISTS question the value of tests, that's news! Yet this is just what two well-known psychologists seemed to do two months ago when they published "10,000 Careers."[1]

Newspaper commentators hailed the book with glee. One felt sure it would "throw terror into the hearts of the thousands who have made a religion out of psychological hanky-panky." He claimed, ". . . the whole theme [of psychological testing] has been carried to ridiculous extremes by some of the larger corporations." Even *The New York Times,* in a double-column headline, proclaimed: "Aptitude Tests Found Little Aid in Predicting Success on a Job."

But what the researchers really found was this: A battery of tests and other measures given to a group of above-average young men in 1943, all of whom were volunteering for service in the Air Force, does not predict with much accuracy how successful these men are in a-hundred-odd civilian jobs twelve or thirteen years later.

Actually a staff of psychologists, depending largely on test findings, proved the worth of their service to the Air Force in the Second World War when they raised the ratio of success among pilot trainees from 39% to 63%. And many companies today *know* they are picking more qualified candidates and fewer unqualified candidates for particular job openings because they are using modern selection procedures, including psychological testing. These companies have learned the importance of selecting appropriate tests for each job, of administering them correctly, of interpreting the results carefully, and of checking the subjects' test scores against various measures of success on the job. When these things are done by qualified persons, good results will be achieved, they say.

Therefore, it might be well to ask a few questions before concluding, with the journalists, that the authors of "10,000 Careers" have proved the fruitlessness of administering tests to job applicants.

Q. Were the 10,000 a "normal" group?

A. No, they were unusual in a number of ways. Here are some: all were males; all were volunteers; all were young (eighteen to twenty-six) when tested; they were more successful than the 7,000 who took the same tests but did not cooperate in the survey; they were of superior mental ability.

Q. Were the tests given to this group in 1943 similar to the tests used by industry to select job applicants in 1955 and 1956?

A. The names of the tests given in 1943 are:

Reading Comprehension; General Information — Navigator; Mathematics; Arithmetic Reasoning; Numerical Operations I and II; Dial and Table Reading; Speed of Identification; Spatial Orientation I; Spatial Orientation II; Mechanical Principles; Two-Hand Coordination; Biographical Data Blank — Pilot Key; Complex Coordination; Rotary Pursuit with Divided Attention; Finger Dexterity; Aiming Stress; General Information — Pilot; Discrimination Reaction Time; Biographical Data Blank — Navigator Key.

No temperament, personality, or interest tests were given.

The tests that were developed and used were tests calculated to help the Air Force pick the right young men for Air Force jobs. They were designed to serve this specific function.

Q. Were the 10,000 men interviewed?

A. No.

Q. How was their level of success in civilian life established?

A. By the answers the 10,000 men gave to a mailed questionnaire. Success was defined in terms of job title, salary, number of subordinates, etc. The authors frankly admitted that this procedure opened the door to countless errors.

Q. Do psychologists claim that there is a 90% to 100% correlation between test scores and job success?

A. Some psychologists and some persons posing as psychologists do, but reputable psychologists do not. In popular language, test scores *help* answer the question "How well *can* Mr. A. do Job B?" But test scores cannot throw much light on the question, "How well *will* Mr. A. do Job B?"

As any businessman knows, success on the job depends upon many things, including ability, interest, a willingness to work, good training, good supervision, an expanding company, and even good fortune.

Q. What are some of the implications of "10,000 Careers"?

A. The authors' findings will be of more interest to guidance counselors in high schools and colleges than to employment managers in business and industry.

Career counseling in terms of specific vocations is hazardous. This is particularly true for young people who have done little else than attend school.

Most young people, especially above-average ones, can succeed and find satisfaction in more than one line of work.

Vocational counseling should not be done on the basis of test scores alone.

Current test findings should be used in counseling. (George Bernard Shaw once remarked that only his tailor regarded him sensibly. His tailor, Shaw explained, did not rely on impressions or go back to old records, but took new measurements each time Shaw came to him for a suit.) S. H.

[1] By Robert L. Thorndike and Elizabeth Hagen, John Wiley & Sons, Inc., New York, New York, 1959, 346 pp., $8.50.

Trends in Making Employee Attitude Surveys

This "history" of attitude surveys points up improvements in technique that have substantially increased the accuracy and value of such surveys

MUCH WATER has passed over the dam since the first systematic employee attitude survey was made by a West Coast company in 1921. Survey techniques have been improved through practical company experience, as well as through research by students of the subject.

Today the novelty of asking employees questions about their jobs has worn off. Few companies now conduct surveys from idle curiosity "just to see what our employees are thinking."

The apprehension that once existed as to what might happen in a company if the employees were invited to criticize its policies and practices seems to be disappearing. No longer are many executives worried that a survey will "give their workers ideas," or "awaken sleeping dogs," or cause their employees to wish to "take over the management of the firm."

Although the growth of this activity has been relatively slow, more companies are making attitude surveys today than ever before. Studies made by The Conference Board show that only a very few companies had made surveys prior to 1940; in 1947 it was found that 7% of 3,500 companies queried had conducted surveys; and by 1954 the percentage had more than doubled.[1]

Several consultants devote full-time attention to this work. Others make surveys as part of a general consulting service. A number of universities also are equipped to make surveys for business firms. Usually a specialist in the university's department of psychology or in the business school directs the work.

Finally, the trend toward surveys being made by companies themselves seems to be growing.[2] Often a company will engage outside help for its first survey, or for its first two or three surveys, and then go it alone.

Moreover, the appearance of standardized survey forms during the last decade undoubtedly has stimulated interest in attitude measurement. One form, it is claimed, has already been used by more than 1,000 companies.[1]

[1] In that year, 14.5% of the cooperating companies said they had made attitude surveys among their hourly paid employees and 20.5% among their salaried employees. See Tables 166 and 339 in "Personnel Practices in Factory and Office," *Studies in Personnel Policy*, No. 145.

[2] The picture here is not entirely clear. Although Conference Board figures show that 40% of the companies now are making their own surveys, as compared with 33% in 1951, the difference is not large, and the two groups of companies were not asked the questions in precisely the same way in both years.

Better Techniques Developed

Survey techniques have been improved over the years. Several changes and developments may be mentioned.

- The interview approach was used exclusively in the first employee surveys. This method is slow and costly. The value of an interview survey depends almost wholly on the skill of the interviewer and on his ability to interpret his findings to management without bias and distortion. It is not easy to find people who can do this. As a result of this and other reasons, the written questionnaire method was developed. Many advantages are claimed for it. It has grown in popularity and today is used in approximately 80% of the surveys made.

- The combination oral-written survey also has gained favor. Usually a sampling of employees is selected, and the proposed questions are tried out with these employees in a series of individual interviews. Any revising or rewording of the questions that seems desirable is made, and then the final written questionnaire is prepared and administered to all employees.

Further interviewing may be done during the feedback of survey findings in an effort to gather additional information or to throw new light on the information already obtained. Written and combination written-oral surveys account for 93% of all surveys now being made.[2]

- Better questions are being asked. It was not long ago that begging questions, double questions, ambiguous questions, and the like found their way into survey questionnaires. Companies learned that the formulation of good questions required skill and

[1] The form, called "SRA Employee Inventory," was developed in 1952 by the Industrial Relations Center of the University of Chicago and is now distributed by Science Research Associates, Inc. Another standardized form, "Employee Attitude Scale," is available through the Industrial Relations Center of the University of Minnesota.

[2] From a 1959 inquiry by The Conference Board into company practice in making employee attitude surveys. Findings from this survey will appear in a forthcoming issue of this magazine.

technical know-how. They turned to specialists with experience in phrasing questions. Now, most survey forms are well worded.[1] The average employee has no trouble filling one out. The result is an accurate picture of what he thinks.

• A final technical change in attitude survey work may be mentioned. It concerns the development and use of standardized survey forms. The publication of these forms has been greeted with mixed reactions. It has already been noted that the availability of prepared forms undoubtedly influenced a number of companies to make surveys that might otherwise not have made them. The fact that a printed form, tried out and perfected by survey specialists and fully equipped with norms for different industries, was available and ready for use appealed to many executives who were eager to see how their companies might compare with other companies.

But critics argued that no prepared form could fit their situations. They said: "We will make up our own questions to fit our own situations. We don't care especially how we compare with the companies across the street or across the nation. We are interested first of all in improving our own performance. Our chief competition is with our own past record. We intend to keep on trying to do better. If we succeed in doing this, we think the future will take care of itself."

Measuring Employee Morale

Some survey workers use the terms *attitude surveys* and *morale surveys* interchangeably. Others reserve the latter term for surveys that have been developed especially to measure morale factors. In such instances it is common practice to try out a large number of questions and to eliminate all that do not distinguish between employees rated low in morale and employees rated high.

But in the traditional attitude surveys as well, a rough measure of employee morale may be obtained in at least two ways. One is to look at the answers to a general question about the job or about the company. Here is an example:

Question: In view of what you know about other companies, how would you rate the company you work for now?

Answer: (check one box)

	Per Cent Checking Each Box
☐ One of the very best	30
☐ Better than average	42
☐ Average	18
☐ Worse than average	8
☐ One of the very worst	2

Let us assume that the employees of hundreds of companies have been asked this identical question and that 72% of them are known to have checked one of the first two boxes. Thus, any company can readily compare its figure with this "norm" of 72%. The reading will tell if morale (defined as the way this particular question is answered) in the company is above or below average.

Instead of taking the answer to one question, it is possible, of course, to consider the answers to all the questions in the survey. The favorable or positive replies are averaged to form a morale index.[1] If repeat surveys are made using the same questions, changes in the index can be observed.

What Companies Learn from Attitude Surveys

Usually companies learn from surveys that there is:

1. A general endorsement of company policies and practices.
2. A need and a desire for better employee communications.
3. A group of "problem situations."

Obviously, it is reassuring when management discovers that it has employee endorsement of its policies. (Of course, some companies get much more endorsement than others, but most companies seem surprised and pleased at the amount they get.) Since in America no one is required to take any particular job or to work for any particular company, it is not surprising that employees do respond favorably to most questions about their jobs and about their companies. Therefore, about all that most companies need do in this area is simply to say to their employees: "It is gratifying to learn from the survey that, in general, you feel we are on the right track."

In contrast, few companies find that they can be complacent in the area of employee communications. It comes as a shock to the conscientious executive to learn that the employees are critical of the company's communication effort.

Communication gaps or weaknesses are revealed by employees—

• Who say they want to know more about how the company is doing.

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[1] A "begging" or "loaded" question is one that suggests a particular answer. (Example: "Since some companies do not grant paid vacations at all, how do you feel about our two-weeks-for-everyone plan?") A "double" or "multiple" question asks for a single answer to two or more job matters. (Example: "Do you feel your superior is fair and competent?") An ambiguous question is one that is not clear, that confuses everyone, or that means different things to different employees. Such questions often are long and full of big words. (Example: "Is it your considered opinion that management should not under any circumstances resort to outside recruitment if a diligent search of the qualifications of those currently employed has failed to bring to light anyone meeting the specifications of the position under advisement?")

[1] This procedure gives equal value to all items in the questionnaire. Thus, the scores on a question about the company's recreational facilities count as much in the morale index as the scores on a question about the competence of the company's supervisory staff.

• Who say they wish to be kept better informed of their supervisors' opinion of their work.

• Who show little or no understanding of how their pay level is established, or of the continuous effort of the company to make sure that their pay is at least equal to that offered by other companies in the area for comparable work.

• Who show little or no understanding of the various company benefit programs.

Such a listing as this one could be extended considerably by many companies. At the same time the executives of these companies may exclaim: "How *can* we be weak in communications! We have bulletin boards, an employee newspaper, an annual report which goes to employees, a suggestion system, letters to the employees' homes, and all sorts of meetings. What else *could* be expected of us?"

This is not the place to discuss corrective measures, but it might be said that the solution to a company's communication problems usually does not depend as much on a multiplication of communication media as it does on a more effective use of the media already in existence.

It is in the third area—the area of "problem situations"—that management is most likely to find a need for corrective action. Problems identified by the survey may be small or large. They may vary in importance from replacing a burned-out electric bulb to overhauling the company's policy on decentralization.

Certainly, all companies can expect that their employees will have a number of suggestions for making improvements. In some instances the problem situations will stand out clearly. In others, there will be disagreements among the employees themselves. Only management can decide when and where remedial measures should be applied.

It is almost always true that certain "problems" mentioned by the employees are not problems at all. For example, employees often complain that the company's pay scale falls below the community level. But management knows through its area surveys that this is not the case. A careful explanation of the facts may be expected to improve the situation, but admittedly this is a matter that cannot be cleared up overnight.

The Importance of Follow-Through

Many specialists feel that a survey is virtually useless unless there is a thoroughgoing follow-through. Conversations with company executives reinforce this conclusion. Typical comments are:

"There's not much point in making a survey if you're not going to do something about it afterwards."

"The real payoff comes after the survey is made and the findings are in."

Some consultants will not accept a commitment unless the company agrees in advance to follow through after the survey has been made.

The feeling seems to be that no matter how well an organization is run or how high the morale of its employees, some follow-through still will be needed. One well-known company found thousands of things to do.[1]

A company may spend a year or more following up a survey that is completed in a single day. A department store executive, at least half in earnest, said: "We made our first survey in 1929, and we're still working on the findings." The duration of the follow-through depends upon such things as the number of suggestions received, their nature, management's interest in following through, and the way the follow-through is carried out.

It hardly needs saying that the follow-through is the most difficult part of a survey. Making the survey is relatively easy. But it is only the jumping-off point for what may come after. First, the survey findings must be interpreted. What do the different scores mean? How significant are they? What things should be done first? Which approaches are likely to work best? How can the personnel and resources of the company best be mobilized to deal with the different problem situations that have been revealed?

A forthcoming article in this magazine, based on a recently completed survey of the experiences of 155 companies that have made attitude surveys, will attempt to throw light on some of these questions.

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[1]The experience of this company is recounted in "Champion Attacks 6,643 Roadblocks," in the December, 1959 issue of the *Management Record.*

Management Bookshelf

Big Business and Free Men—In this book the author, a vice president of Sears, Roebuck and Co. who served for two years as Assistant Secretary of Commerce of the United States, pleads for a philosophy of liberalism among business leaders. Business, he argues, is a major institution in our society, and it needs to be organized and operated on democratic principles. This calls for new thinking and for courageous action.

In a final chapter, the author states: "Democracy is a rigorous and demanding form of social organization. . . . Freedom is risky. Democracy is risky. . . . Thoughtful businessmen will recognize and accept their special responsibility for helping strengthen these essentials of a free society—not simply because it is good for business but because they themselves are free men." *By James C. Worthy, Harper & Brothers, New York, New York, 1959, 205 pp., $4.*

Significant Labor Statistics

Item	Unit	1959							Year Ago	Percentage Change	
		Dec.	Nov.	Oct.	Sept.	Aug.	July	June		Latest Month over Previous Month	Latest Month over Year Ago
Consumer Price Indexes (BLS)											
All Items	1947–1949 = 100	125.5	125.6	125.5	125.2	124.8	124.9	124.5	123.7	−0.1	+1.5
Food	1947–1949 = 100	117.8	117.9	118.4	118.7	118.3	119.4	118.9	118.7	−0.1	−0.8
Housing	1947–1949 = 100	130.4	130.4	130.1	129.7	129.3	129.0	128.9	128.2	0	+1.7
Apparel	1947–1949 = 100	109.2	109.4	109.4	109.0	108.0	107.5	107.3	107.5	−0.2	+1.6
Transportation	1947–1949 = 100	148.7	149.0	148.5	146.4	146.7	146.3	145.9	144.3	−0.2	+3.0
Medical Care	1947–1949 = 100	153.2	153.0	152.5	152.2	151.4	151.0	150.6	147.3	+0.1	+4.0
Personal Care	1947–1949 = 100	132.9	132.7	132.5	132.1	131.7	131.3	131.1	129.0	+0.2	+3.0
Reading and Recreation	1947–1949 = 100	120.4	120.0	119.7	119.6	119.1	119.1	118.1	116.9	+0.3	+3.0
Other Goods and Services	1947–1949 = 100	131.7	131.6	131.6	131.5	131.1	130.8	129.2	127.3	+0.1	+3.5
Employment Status (Census)											
Civilian labor force	thousands	69,276	69,310	70,103	69,577	70,667	71,338	71,324	68,081	A	+1.8
Employed	thousands	65,699	65,640	66,831	66,347	67,241	67,594	67,342	63,973	+0.1	+2.7
Agriculture	thousands	4,811	5,601	6,124	6,242	6,357	6,825	7,231	4,871	−14.1	−1.2
Nonagricultural industries	thousands	60,888	60,040	60,707	60,105	60,884	60,769	60,111	59,102	+1.4	+3.0
Unemployed	thousands	3,577	3,670	3,272	3,230	3,426	3,744	3,982	4,108	−2.5	−12.9
Wage Earners (BLS)											
Employees in nonagr'l establishments	thousands	p 53,564	r 52,740	r 52,569	52,648	52,066	52,343	52,580	51,935	+1.6	+3.1
Manufacturing	thousands	p 16,398	r 16,246	r 16,197	16,367	16,169	16,410	16,455	15,749	+0.9	+4.1
Mining	thousands	p 664	r 658	r 621	620	639	710	713	713	+0.9	−6.9
Construction	thousands	p 2,677	r 2,852	r 2,961	3,043	3,107	3,035	2,986	2,486	−6.1	+7.7
Transportation and public utilities	thousands	p 3,936	r 3,909	r 3,910	3,927	3,922	3,949	3,944	3,881	+0.7	+1.4
Trade	thousands	p 12,284	r 11,721	11,551	11,464	11,360	11,324	11,352	11,976	+4.8	+2.6
Finance	thousands	p 2,443	2,440	r 2,441	2,452	2,474	2,475	2,442	2,373	+0.1	+2.9
Service	thousands	p 6,545	r 6,586	r 6,614	6,617	6,582	6,603	6,623	6,384	−0.6	+2.5
Government	thousands	p 8,617	r 8,328	r 8,274	8,158	7,813	7,837	8,065	8,373	+3.5	+2.9
Production and related workers in mfg. employment											
All manufacturing	thousands	p 12,387	r 12,245	r 12,201	12,373	12,173	12,433	12,524	11,930	+1.2	+3.8
Durable	thousands	p 7,105	r 6,896	r 6,786	6,847	6,679	7,161	7,248	6,740	+3.0	+5.4
Nondurable	thousands	p 5,282	r 5,349	r 5,415	5,526	5,494	5,272	5,276	5,190	−1.3	+1.8
Average weekly hours											
All manufacturing	number	p 40.5	39.9	40.3	40.3	40.5	40.3	40.7	40.2	+1.5	+0.7
Durable	number	p 40.9	r 40.1	40.9	40.7	40.9	40.6	41.4	40.8	+2.0	+0.2
Nondurable	number	p 39.8	r 39.6	39.5	39.8	40.0	39.8	39.7	39.6	+0.5	+0.5
Average hourly earnings											
All manufacturing	dollars	p 2.26	2.23	2.21	2.22	2.19	2.23	2.24	2.19	+1.3	+3.2
Durable	dollars	p 2.42	2.38	2.36	2.36	2.35	2.39	2.40	2.35	+1.7	+3.0
Nondurable	dollars	p 2.04	r 2.03	2.02	2.03	2.00	2.01	2.00	1.97	+0.5	+3.6
Average weekly earnings											
All manufacturing	dollars	p 91.53	88.98	89.06	89.47	88.70	89.87	91.17	88.04	+2.9	+4.0
Durable	dollars	p 98.98	r 95.44	96.52	96.05	96.12	97.03	99.36	96.29	+3.7	+2.8
Nondurable	dollars	p 81.19	r 80.39	79.79	80.79	80.00	80.00	79.40	78.01	+1.0	+4.1
Straight time hourly earnings (estimated)											
All manufacturing	dollars	p 2.19	2.17	2.14	2.14	2.12	2.16	2.17	2.13	+0.9	+2.8
Durable	dollars	p 2.34	2.31	2.28	2.28	2.27	2.31	2.31	2.27	+1.3	+3.1
Nondurable	dollars	p 1.99	1.98	1.97	1.98	1.95	1.96	1.95	1.92	+0.5	+3.6
Turnover Rates in Manufacturing (BLS)											
Separations	per 100 employees	p 2.9	4.1	r 4.7	4.3	3.7	3.3	2.8	2.8	−29.3	+3.6
Quits	per 100 employees	p 0.8	1.0	1.4	2.2	1.8	1.3	1.3	0.7	−20.0	+14.3
Layoffs	per 100 employees	p 1.6	r 2.6	r 2.8	1.5	1.4	1.4	1.0	1.8	−38.5	−11.1
Accessions	per 100 employees	p 3.5	r 3.0	r 3.1	3.9	3.9	3.3	4.4	2.4	+16.7	+45.8

p Preliminary. *r* Revised. A. Less than .05%.

Briefs on

PERSONNEL PRACTICES

A Safe Gamble

To keep its employees conscious of the constant need for avoiding accidents, the Sonoco Products Company of Hartsville, South Carolina has installed a "Big Wheel of Safety." It stands twelve feet high and is divided into more than 1,900 spaces. Each space carries the clock number of one of the company's hourly or salaried employees. Every Monday at 2:45 p.m. the wheel is spun, and the employee whose clock number comes out on top wins a $10 bill *if there is no red tack on his number.*

A red tack indicates an injury. One is placed on the number of every injured employee and this disqualifies him from winning the weekly $10 prize for the remainder of the month in which his injury was incurred. When the wheel stops on a red-tacked number, it is spun again until a qualified winner is found.

Capital Invested per Production Worker

During the first half of 1959, according to the findings of a recent Conference Board study, each production worker in manufacturing industries in the United States was backed by an estimated average capital investment of $17,800.[1] This estimated average shows a slight drop from 1958's record high of $17,900. The decrease was the result of a 5% rise in the number of production workers, which more than offset an estimated 4% rise in total capital investment.

Between 1957 and 1958, on the other hand, when the greatest annual increase in almost twenty years was recorded, there had been a 10% decline in the number of production workers, which was accompanied by a 2% rise in capital investment. Capital investment is defined as total assets (plant, equipment, inventories, and all other assets) figured at book value, less investments in government obligations and securities of other corporations.

"Matrimoney"

Cupid gets help from industry in Denmark. Some of that country's leading firms are taking positive steps to encourage their employees to marry and have children, according to a report published by the Industrial Welfare Society of London, England. A Danish engineering company, for example, grants "an award" of about $28 in cash to every worker who marries. The same amount is awarded each time a child is born. Furthermore, if the married worker has been employed for three years or more and would like to build his own home, the company (if it finds his plans satisfactory) permits him to borrow its tools, machines and other equipment and, in addition, contributes about $420 toward the cost of the house.

Employees with children are shown special consideration in other Danish firms, too. The management of a chain of food shops lends such employees whatever vehicles it can spare when it comes time for their vacations. Female employees who become mothers are presented with baby carriages. And a large Danish brewery built a seaside camp where the children of its employees can enjoy an inexpensive vacation for a few weeks each summer. During the rest of the year, it maintains a day nursery for the children of working mothers.

A Day to Pray

When the religious beliefs of one group of employees require them to take a day off from work for the observance of a religious holiday, some companies pay such employees for the day they take off. On occasion, however, this can lead to discontent. Other employees who practice a different religion or no religion may complain that the extra paid holiday for the one group is unfair.

The Reinhold Publishing Corporation in New York City has put a religious-holiday program into effect that eliminates any unfairness. Every employee is allowed one day each year as a paid religious holiday. He can take this day on a religious holiday—or on any other day he chooses. Thus, in the course of the year, all employees are granted the same number of paid holidays, regardless of how they feel about religion.

Suggester's Dozen

The employee suggestion plan at the Ford Motor Company was started on August 1, 1947. In the twelve years between that date and last August 1, over $6.5 million was awarded in cash to the 110,840 Ford em-

[1] For the full findings of the study, see *The Business Record*, January, 1960, p. 6.

ployees who submitted a total of 518,005 acceptable suggestions.

These suggestions, the company says, touched every phase of its operations, resulting in improved product quality, safer working conditions, better housekeeping, and more efficient production methods.

Over the twelve-year span, the average award was $59.77 and an average of 16% of the work force participated. Included in the $6,624,990 actually paid out to suggesters were 152 maximum suggestion awards of $3,000. The minimum suggestion award, formerly fixed at $5, has been raised to $20. Top suggestion award winner among the employees still actively participating in the plan is a diemaker leader at the company's Monroe (Michigan) Plant who has earned a total of $12,717. But the record, which topped $25,000, belongs to a man who was promoted to an exempt management job. Ford has a separate suggestion plan for its management personnel.

Company Scholarships Promote Insect Control

Among the more than 1,500 persons who attended the 38th National 4-H Club Congress were forty-two children who came as guests of the Hercules Powder Company of Wilmington, Delaware. They were the state winners of the all-expense trips offered by Hercules each year in the National 4-H Entomology Awards Program. In addition, six of them won $400 college scholarships.

The purpose of this program is to help 4-H Club boys and girls across the nation learn more about the fundamentals of insect control and the many ways in which such knowledge can advance the health, wealth and happiness of mankind.

Union Signs Contract with Company It Principally Owns

The Hatters Union, AFL-CIO, has just signed an unusual collective bargaining contract with the Merrimac Hat Company. What makes the contract a rarity is the fact that the union is also the principal owner of the company.

About a year ago, the Merrimac Hat Company had decided to liquidate when its books showed a loss of more than $170,000 for the first nine months of 1958. To save the jobs of 325 members, the union purchased 60% of the company for $300,000. Under the reorganization, the collective bargaining agreement was extended, and the management of the old company was retained. The union promised at that time, reports *The Hat Worker*, that its bargaining demands for the coming year would not increase labor costs more than 5%.

During the first nine months of operation under the reorganization, a profit of $163,000 was realized due to an "increase in the market for hats and the productive cooperation of efficient management and skilled labor," reports the union's monthly publication. This unusual recovery, the Hatters Union declares, made the restriction on the bargaining demands unnecessary.

It is stressed that the newly signed agreement will result in a total increase of 7.5% in wages and benefits to the employees. The benefits include the inauguration of a company-paid pension plan and increased hospitalization and insurance coverage. The union, at the same time, announced that it remains pledged "to bar any discrimination or favoritism between Merrimac and other men's hat firms with which we have collective agreements, and to bring Merrimac wages and working conditions to the levels standard in the industry."

Job-Centered Appraisal Plan Approved

After changing from a traditional merit-rating plan and using a job-centered one for a full year, Alcoa asked 240 of the supervisors at one of its plant locations what they thought of the new plan. The vote was 237 to three in favor of continuing with it. "There is no question about its value," one division head remarked.

Under the job-centered plan, each man's performance is rated against his particular job responsibilities. Personal characteristics are considered in the appraisal only in relation to the results the man is getting or not getting.

Alcoa's goal, as spelled out by one of the company's executives, is the development of "successors better than we are, because the problems of our industry are growing more complex all the time. The way to insure that our successors are better is to train them to be better."

Employment Gains by Negroes Recorded

During the last two decades dramatic changes have occurred in the employment opportunities for Negroes, according to "Notes on the Economic Situation of Negroes in the United States," a forty-eight page report issued by the Department of Labor (August, 1959, revised).

In 1939 the median annual income of nonwhite males was $490; in 1957, it was $2,436—up 500%. During this same period the per cent of Negroes in professional, managerial, and other white-collar jobs more than doubled.

The report cites better educational backgrounds as a chief factor contributing to the Negroes' improved status.

Labor Press Highlights

AFL-CIO Calls for Increased Economic Growth

AMERICA'S No. 1 problem is not runaway inflation, as many business and government leaders claim, but rather the gradual decrease in the annual rate of economic growth, says the AFL-CIO in its publication, *Labor's Economic Review*. This rate, states the federation, has dropped from the high of 4.6% in the 1947-1953 era to 2.5% in the 1953-1959 period.

Such a decrease, the union report asserts, is partly due to government policies—notably tight money and attempts to balance the budget at all costs. The report declares that a 5% annual growth rate is essential if the United States is "to provide the extra margin for adequate defense, public services for a growing population, adjustments to automation and rapid technological change . . . and aid for the less-developed, uncommitted nations."

Tight money has been advocated as a check on current inflationary pressures which, many believe, are primarily the result of wage and salary increases in the 1953-1959 period. The federation journal claims this is false since "payroll and fringe benefit costs of production and maintenance men, per unit of output, were no greater in 1958 and 1959 than in 1953." Furthermore, the newspaper argues, tight money, far from stemming inflation, has actually abetted it by increasing interest costs both in the private economy and on the national debt.

The AFL-CIO publication further charges that government economic policies are "self-defeating," have helped widen the gap between our nation's capacity to produce and lagging sales, and are in part responsible for two recessions in six years and a rising level of "normal" unemployment.

The main factors cushioning the last recession, says *Labor's Economic Review*, were "wage and salary increases for employed workers and the operation of the unemployment insurance system."

The AFL-CIO organ then proposes the following thirteen-step program to remedy economic ills.

1. Balanced economic growth of 5% a year should be established as a goal of national policy.
2. The policy of tight money and high interest rates should be halted.
3. Government policy should aim at budget balance and surpluses through rising government revenues from increasing output, sales and incomes.
4. A revision of tax structure to provide a more equitable means of raising required government revenue is needed.
5. The balance between the economy's ability to produce and its ability to consume must be strengthened.
6. The national defense effort, in terms of the military requirements for the defense of the United States and the free world, must be re-examined.
7. Federal Government assistance for economically distressed communities is essential.
8. A comprehensive effort is required to meet, with federal leadership and financial aid, the needs of a growing urban population.
9. The unemployment insurance system should be permanently improved by additional federal standards to extend the duration and raise benefits to unemployed workers.
10. The government must be prepared to move promptly with antirecession measures, should another recession occur.
11. Economic and technical aid for less-developed nations should be considered as a major aspect of national policy.
12. Progressive reduction of the standard workweek, as the advance of technology reduces manpower requirements, should be achieved.
13. A comprehensive national investigation and analysis of the price structure are needed, as a basic requirement for developing possible solutions to the problem of a slowly rising level of prices.

Union Poll To Determine Impact of Railroad Ads

Has the advertising campaign of the railroads deeply influenced potential arbiters in the dispute between rail unions and carriers? This is the question George Leighty, chairman of the Railway Labor Executives' Association, the coordinating agency for twenty-three rail labor organizations, sought to answer by means of a poll.

Labor, weekly newspaper of the railroad unions, reports that individual letters and questionnaires have already been sent to several hundred arbitrators. Moreover, additional questionnaires will be sent to other experts who are likely to be called to serve on commissions in future labor-management controversies on the railroads.

Just as prospective jury members are asked whether they have reached any conclusions from publicity they may have read, the union publication continues, potential arbiters in railroad controversies are being asked the same qualifying questions. Mr. Leighty stresses that the answers will be held in confidence, and the identity of the expert will be in no way associated with his reply.

Although the railroad unions had worked for the enactment of the Railway Labor Act to establish procedures to settle labor-management disputes without inconvenience to the public, *Labor* emphasizes that if the arbiters have been "brainwashed," then the unions can no longer rely on traditional procedures for the fair settlement of labor-management disputes in the industry.

If such be the case, Mr. Leighty proposes that the unions seek a new method to obtain a fair and just settlement of such disputes.

One of the areas explored by the poll was the degree to which arbiters were exposed to advertising and articles on featherbedding. Likewise, the experts were asked if they had read the union replies to these "attacks." A second series of questions sought to determine whether the expert had, as a result of the above-mentioned publicity, concluded that the railmen were featherbedding and that the railroads were "in desperate financial straits" because of an "excessive" number of employees.

The expert was asked further if he could free himself of such preconceptions if "called on to judge the issues." Finally he was asked if he felt his colleagues "could free themselves of the effect of this corporation propaganda" if called on to act in one of these disputes.

Unions Expanding Social Benefits

Two recent articles appearing in the *AFL-CIO News* discuss the expansion of union activities in areas far beyond employees' working conditions.

At present, for instance, there are more than sixty major union health clinics throughout the country serving members and their families. These clinics, while for the most part employer financed, are still union administered. In addition, the United Mine Workers now operate a chain of ten hospitals.

Such unions as the International Ladies' Garment Workers, Amalgamated Clothing Workers, the Upholsterers, and the Oil, Chemical and Atomic Workers operate vacation resorts for their members' recreation. Other unions operate recreation centers for young people and hold annual outings, such as Labor Day picnics.

Many unions have activities that enable their members to more easily afford the necessities of life. These include cooperative housing, drug stores selling prescriptions at low rates, and organized buying clubs that provide for purchases at reduced cost to the consumer. In addition, 4,700 workers' credit unions have been inaugurated "to aid workers who need to borrow."

In the field of education, unions have been very active. For instance, many craft unions, in cooperation with management, train their members through apprenticeship programs. Also, labor donates more than $500,000 a year for scholarships to colleges and universities. In all, a total of $1 million is contributed each year by unions to educational bodies.

Many unions have lawyers on a retainer basis who provide legal assistance to union members in such areas as domestic relations and landlord-tenant disputes. At present, in Los Angeles, hotel and restaurant unions are seeking to set up a group legal fund, with contributions from both workers and their employers, to provide legal help to members without further cost. Such a move, the *AFL-CIO News* notes, may face the same opposition from bar associations that group medical plans got from the American Medical Association for years.

The most unique union service reported is the Seafarers' International Union's practice of paying $200 to a member each time he becomes a parent. A $25 United States Government savings bond is awarded to the child.

ICWU Signs First Bargaining Agreement With Full-Time Representatives

Just what salary and benefits does a full-time permanent representative receive from his union employer? An item in this month's labor press details the relationship between such employees and the 85,000-member International Chemical Workers Union.

Recently, after conducting a three-day negotiating session with the International Chemical Workers Representatives Association, bargaining agent for all full-time staff representatives, ICWU President Walter L. Mitchell announced the signing of a two-year agreement. The complexity of the bargaining relationship between the two parties is reflected in an eight-paragraph introduction that stresses the two-fold personality of the representative who "in many instances *is* the ICWU to the locals he serves," and who also must remember that "the members of the ICWU are his employers."

Among the benefits guaranteed to the international representatives are:

1. An increase of $15 a week, raising salaries to $140.
2. A union shop and checkoff.
3. A three-step grievance procedure, culminating in arbitration.

4. A seniority clause regarding layoff and recall.
5. A two-week vacation after one year, and three weeks after ten.

To the ICWU's knowledge, reports *The International Chemical Worker,* the only other international union that has given its field staff such "formal protection" is the national AFL-CIO.

UAW Official in Jail for Hour and a Half

No adverse publicity resulted when a United Auto Workers' official recently entered Philadelphia's Holmesburg prison. Of course, Theodore Guensch was not going as a prisoner but as a lecturer.

It all started, *Eastern Solidarity* reports, when some of the prison's inmates voluntarily formed a "self-improvement group" to meet every Saturday morning and listen to lectures from people of all walks of life. A questionnaire was circulated for the prisoners to express their topic preference. High on the list was the request to hear a talk from a representative of labor.

Prison officials contacted Mr. Guensch, Pennsylvania director of citizenship and education for the UAW, and he promptly accepted.

Once inside the prison walls, the union representative found himself before an audience of about seventy-five inmates. His talk, entitled "What I Should Know About Labor Unions," lasted some twenty minutes and was followed by an hour of questions from the floor.

Mr. Guensch, who has addressed all kinds of groups in the past, told *Eastern Solidarity* that "it is a novel experience—going through locked doors to reach an audience and then being locked in the room until the end of the program." While there, he discovered that only a very few of the inmates had ever belonged to a union.

Tax Deduction for Union Dues Is Cut

In preparing his income tax return, a union member may now declare as a deduction only that portion of dues which goes into the nonpolitical activity of his union. This is the substance of a new Internal Revenue Service regulation that is termed "absurd" and "administratively unworkable" by the AFL-CIO.

The regulation itself, as reported in the *AFL-CIO News,* declares: "Dues and other payments to an organization, such as a labor union or a trade association, are deductible in full unless a substantial part of the organization's activities is lobbying." If a "substantial part" of the organization's activities is political or consists in lobbying, then the burden is placed on the taxpayer to establish that what he is claiming as a deduction is used for nonpolitical activity.

During the hearings on these regulations, AFL-CIO counsel argued that since 1909 Congress has specifically exempted labor unions from income tax.[1] This exemption, continues the federation weekly, has never been tied to labor's abstaining from political activity. The federation concluded that "to the extent that Congress has deemed it desirable to restrict union activities, it has done so directly."

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[1] See "Education on Union Dues," *Management Record,* January, 1960, p. 22.

Business Games

(Continued from page 8)

five years of company experience, seem to be sufficient for most games. But, in the view of these training men, beyond the one day usually needed for that minimum playing experience, time should be devoted to the rigorous analysis in depth which the critique session makes possible.

ONLY QUANTITATIVE VARIABLES?

One of the criticisms that has been directed at the business gaming approach is that the games involve only quantitative variables. For years managements have been told that the human factors were the most important in managing successfully. Most games leave human variables almost completely out of the picture. So, these critics ask, how can the games provide any realistic training for managing?

The director of management development for the Nationwide Insurance Companies answers that the games *are* quantitative—and no apology is needed. He explains that there are many excellent methods available for developing managers in what are essentially the qualitative aspects of the managing job, but there are almost no good methods for getting at the quantitative aspects. Nationwide feels that their insurance model provides them with a training tool for the quantitative area where a tool was badly needed.

The companies contacted also deny that the games entirely lack a "human element." It is true, they say, that the mathematical models upon which the games are based involve few if any human variables. But the players are men, not machines. In most games six to eight players work in a team. As these men work together to understand the game and to devise sound management actions, there is human interaction, which sometimes approaches violence. Also, in the critique phase, it is possible to point up some of the human influences which affected the decisions made.

For instance, the International Business Machines Corporation has a psychologist observe the men while they are engaged in the intense interaction of the playing phase. Then, during the critique, he discusses

with them, in a general way, the interactions he noted during the play. He points out how the relationships of the men either assisted or impeded them in trying to reach the objectives toward which they were working. While the company's purpose in using the game is management development and not the study of managerial behavior, the players report that the psychologist's observations are extremely interesting and that they consider the analysis of their working relationships an important part of their game experience.

OTHER USES

Although in some cases "committee management" is possible, in the majority of games the amount of information to be assimilated and the speed with which decisions must be made necessitates the organization of a management team with a clear definition of functional specialties. Sometimes the game prescribes the organization structure, with players assigned to roles as president, marketing manager, production manager, etc. Frequently, however, the form of organization is left to the judgment of each team; one of their first decisions must be how to organize their company's management for greatest effectiveness in the simulated situation. There are even games which are so arranged that effective organization is almost the sole factor accounting for effective play. When used in such fashion, the games have been found to be an extremely valuable tool for driving home the necessity for sound organization and the validity of the generally accepted principles of organization to men who may have been giving only lip service to these principles.

Similarly, the games are valuable in providing experience in the importance of long-range planning as well as the need to operate on the basis of established policies rather than expediency. Most of the games which the Board has examined are planned so that opportunism brings only temporary advantages; the real pay-off goes to those "companies" which devise an effective long-range plan and stick to it with only minor modifications.

The games are often used for the specific purpose of providing a broadening experience for functional specialists. The marketing and production games developed by the Remington Rand Univac Division, for example, are so designed that no one factor can be emphasized in a "winning" strategy. Instead, players must strive for the optimum balance among factors—balance in terms of the "economy" as a whole as well as within the "company."

All the companies surveyed report that their men actually learned that every function of the company is important to the total corporate effort. As one man said: "The players learned to be concerned not with the function's problems but with the company's problems. Most of the players would have given the 'right' answers if questioned about this point prior to the game; they knew intellectually that the business was one interrelated effort. But after the play they knew it viscerally; they had 'felt' it during the play."

The games should not be relied upon to teach new material, in the opinion of the management development specialists whom the Board questioned. The games cannot do the whole teaching job by themselves. Rather, they are in the nature of a laboratory session, an opportunity to try out what has been learned through lecture, discussions, reading, and other means. They provide for a learning experience which vividly reinforces what has been gained less dramatically through other methods.

One of the principal reasons for the vividness of the experience is that the games have a very high surface realism. Businessmen find the games extremely interesting. And this seems to hold for everyone from students in business school through all ranks of management. The games are absorbing, and what is learned during the play is absorbed.

The experience of the companies included in this short survey might be summed up in the words of the management education chief of the Boeing Airplane Company. While recognizing the limitations of the games, he says: "We believe that 'Operation Interlock' [one of Boeing's training games] can and does provide participants with an appreciation of the complex and interlocking nature of business decisions and an opportunity to think in terms of the abstract, financial world of top management. It allows them to test their assumptions about business relationships with the assumptions of the model. It allows them to work as a team in making decisions and get feedback of results. It helps them see that there are many dimensions to 'success' or 'failure' in a business. Generally, it is seen as an interesting and compelling educational experience."

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Management Bookshelf

The Steel Industry Wage Structure—An analysis of the joint union-management job evaluation program introduced in the basic steel industry, this book describes the background, problems and success of the joint endeavor as related both to day work and incentives. *By Jack Stieber, Harvard University Press, Cambridge, Massachusetts, 375 pp., $8.*

Automation, Cybernetics and Society—A discussion of computers, control and communication systems, automation and operational research, and some of the implications that they may have for society and such sociological and biological disciplines as logic, psychology, physiology and philosophy. *By F. H. George, Philosophical Library, New York, New York, 1959, 283 pp. $12.*

Employee Savings Plans

(Continued from page 5)

ticipants in the stock-option plan are not eligible. Employees may contribute up to 10% of regular salary, but no more than $2,000 per year in one plan and no less than $5 per month in the other. Savings may be increased or decreased or suspended at any time. Employee savings are invested half in company stock and half in government bonds, although an employee who selects the long-term program in one plan has the further option of putting all his savings in company stock.

For each dollar an employee saves, the company contributes 50 cents.[1] All company contributions are invested in company stocks.

A participant may withdraw securities bought with his own contributions at any time. However, he forfeits all company contributions on any savings he withdraws if the savings have been held for less than three years. Beginning with the first month after this, however, he "earns out" company contributions (and earnings on them) at the rate of 2¾% for each month. Thus, by the end of the fifth year after the savings were made, all company contributions are vested.

If employment is terminated because of death, total and permanent disability or retirement, the employee or his beneficiary receives all funds in his account, including company contributions. If he is discharged for cause, he receives only the securities bought with his own savings. If he terminates employment for any other reason, how much of the company contributions he receives depends on the vesting provisions noted above.

Plan 4: Profits a Factor

This plan is unique in the current group in that profit levels each year determine the rate at which employee savings are matched. Here's how it works. At the end of each year, the employee decides whether his own and the company contributions for that year are to be used for short-term savings or retirement income. (Again at the end of the savings cycle, he can reverse this option if he wishes.)

If he chooses the short-term plan, all securities bought during the year are returned to him five years later.[2] If he chooses the long-term provision, the securities are held until retirement or termination of employment. However, after they have been held for the five years, the employee may withdraw his own savings without forfeiting company contributions; but the company contributions cannot be withdrawn until termination.[1]

All salaried employees with one or more years of service, including officers and directors, can participate by contributing up to 10% of base salary, but not more than $2,500 per year. An employee can change his savings rate at any time or suspend contributions at any time.

The company contribution depends on corporate earnings, as follows:

Earnings as % of Net Sales	*Company Contribution*
5% or less	40% of savings
Over 5% but no more than 7%	50% of savings
Over 7%	60% of savings

All company contributions are invested in company stock. Employee savings are invested in government bonds and company stock. However, the part invested in company stock must equal the company contribution; the remainder goes into governments.

An employee may withdraw securities bought with his own savings at any time. However, he forfeits all company contributions on savings held for less than two years. Starting with the first month after this period, he "earns out" company contributions (including earnings on them) at the rate of 2¾% for each of the next thirty-five months and 3¾% for the thirty-sixth month. Thus, by the end of the fifth year, all company contributions are vested.

If employment is terminated because of death, total and permanent disability, or retirement, the employee or his beneficiary receives all funds in his account, including company contributions. If employment is terminated for any other reason, the portion of company contributions the employee receives depends on the vesting provisions above.

However, special provision is made for an employee on "temporary layoff." Such an employee can withdraw up to eight $18.75 savings bonds each month and, after these are gone, may withdraw, at the same rate, company stock purchased with his own savings. For the first twenty-seven weeks of the layoff period, he continues to "earn out" company contributions. Furthermore, if his own savings are exhausted, he can withdraw earned-out company contributions at a maximum rate of $100 per month. Then, if the layoff continues beyond twenty-seven weeks, he receives all funds in his account, including all company contributions.

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[1] However, total company contributions are reduced to the extent of forfeitures caused by employee withdrawals and terminations.

[2] And the company guarantees that their value will at least equal the cash the employee contributed, plus interest at the government bond rate.

[1] At the end of the fifth year, if the value of the securities is not equal to the cash the employee contributed (plus interest at the government bond rate), the company contributes the amount needed. However, no further guarantee of value is made by the company.

Plan 5: A Variety of Options

This utility company plan is quite similar in many details to the oil company plans analyzed in the January issue of the *Management Record*. However, it contains two unusual features.

First, both employee savings (1% to 10% of base salary[1]) and company contributions (50 cents on each dollar saved[2]) are invested solely in company stock. Second, three different methods of distribution are allowed: (1) a participant can have the stock that is bought with his own savings delivered to him at the end of the year and the stock based on company contributions delivered to him two years after the end of the year in which it was purchased; or (2) an employee can take stock purchased with his own savings at the end of the year and leave company contributions in the plan until termination of employment; or (3) he can leave his own and the company contributions in the fund until termination of employment.

If employment is terminated because of death, total and permanent disability, or retirement, the employee or his beneficiary receives all stock, including that paid for by company contributions. If termination is due to any other reason, the employee receives all stock bought with his own savings and any company contributions that have been in the fund for two years.

Prior to termination of employment an employee may withdraw two-thirds of the stock that has been in his account for two years. This partial withdrawal can be made once a year, but the employee cannot contribute to the plan for the succeeding six months. An employee can withdraw all of his own savings at any time, but he loses all company contributions not vested; the vested contributions will be given to him when due, according to which method of distribution he selected. He cannot participate again for a year, and he re-enters the plan as a new member.

All regular full-time employees with five years or more of service can participate in the plan; however, they must also be members of the company's contributory pension plan.

Plan 6: Contributions to Both Short- and Long-Term Funds

In each of the nine plans described above, an employee cannot contribute to both the long-term and short-term parts of the plan at the same time. In this plan, however, the 10% of salary allowed for participation can be split, in any proportion, between a short-term and a long-term savings fund.[3] For each dollar

[1] An employee may change his contribution rate once each year and suspend contributions altogether for not less than three months in any calendar year.

[2] However, total company contributions are reduced by any forfeitures due to withdrawals and termination of employment.

[3] Within this limitation, the rate of savings in either or both funds can be changed once each year. Similarly, contributions can be suspended for two months each year without penalty; longer suspensions must be for at least six months.

saved, the company contributes 25 cents.[1] Company contributions are invested in company stock; employee savings can be invested in company stock or United States savings bonds in whatever proportions the employee chooses.[2]

Contributions to the short-term fund are paid out automatically three years after the close of the year in which the contributions were made. Contributions to the long-term fund are designed to be paid at retirement. However, if an employee leaves the company for any reason other than resignation or discharge, all securities in both funds, including those purchased by company contributions, are delivered to the employee. If termination is due to resignation or discharge, the employee forfeits all company contributions made during the eighteen months prior to termination.

Similarly, if a participant withdraws from the plan while still employed, he also loses company contributions made in the eighteen months prior to his withdrawal. He must then wait six months before re-entering the plan as a new member.

The employee must make a "total" withdrawal from the short-term plan. But once each year, without penalty, he may withdraw any part of the securities purchased with his own savings which have been in the long-term fund for four years or more. He can also withdraw securities purchased by company contributions that have been in the long-term fund for four years or more; but in this case he cannot make further contributions to the long-term fund for another six months.

All employees with at least two years of service can join this savings plan.

Plan 7: Cash Savings Account Option

This plan, too, allows simultaneous contributions to a short-term and long-term fund. However, a participant can join only the short-term plan until he has three years of service; after that he can put money into both plans. The short-term fund, in effect, is a cash savings account; savings are deposited for two years and then released to the employee with 2% interest, in addition to cash company contributions. In the long-term fund, employee savings and company contributions are invested in United States savings bonds and company stock in whatever proportions the employee selects.[3]

All employees with at least one year of service may join the plan by authorizing payroll deductions up to 7½% of base pay. These savings can either be split half and half between the short- and long-term plans,

[1] Total company contributions are reduced by any forfeitures due to withdrawals or termination of employment.

[2] An employee may change his investment choice at the beginning of each plan year.

[3] An employee may change his investment directions once each quarter.

or all can go in one plan.[1] The amount of company contributions depends on the length of service of the participant. Employees with one year of service get 10% of their savings; with two years, 20%; and with three or more years, 30%.[2]

An employee may withdraw his savings from the short-term fund at any time; but if he does, he forfeits all company contributions. Similarly, an employee may withdraw his own savings at any time from the long-term fund; but if he has participated in the plan less than two years, he forfeits company contributions and cannot contribute to either part of the plan for one year. If an employee has been in the long-term plan for two or more years, he has two withdrawal options: (1) he may close out his entire account, including company contributions, but he cannot contribute for another year; or (2) he can withdraw up to one-third of his entire account and stop contributions for only six months.

If employment is terminated for any reason after three years of service, the employee receives his entire account, including company contributions. If the employee has less than three years' service, and termination is not due to resignation or discharge, the entire account is also released to him. But if termination is due to resignation or discharge, the employee forfeits the company contributions.

THE LONG-TERM PLANS

The remaining nine plans analyzed here from companies outside the oil industry have been classified as long-term arrangements—plans that are designed primarily to supplement retirement income. More generally, the full benefit of these plans is obtained only if a participant remains in the plan until termination of employment. As a result, these plans differ in some important respects from both the short-term and the combination programs already described. However, all of the long-term plans have provisions under which the participant can withdraw funds prior to the termination of employment. And, as a result, the actual operation of some of these plans may be closer to the combination plans than might be expected at first glance.

This section outlines the basic characteristics of the nine long-term plans as a group. A brief description is then given of the withdrawal rights of employees prior to leaving the company.

Eligibility

Two of the nine plans cover only full-time, regular, salaried employees. The other seven cover all regular

[1] An employee may change his savings rate once every three months and may shift from one fund to another once every three months.

[2] Forfeitures due to withdrawals and termination of employment are distributed to the remaining participants.

employees, although one specifically excludes directors.[1]

All require some minimum amount of service for participation, and one plan has an age requirement as well. These service requirements are shown below:[2]

6 months' service	1 plan
1 year's service	3 plans
1 year and age twenty-one	1 plan
2 years' service	2 plans
3 years' service	1 plan
Not specified	1 plan
Total	9 plans

Employee Savings

The nine long-term plans allow a participant to save up to 3% of his salary (two plans), 5% (four plans), up to 6% (two plans) and up to 7½% (one plan).

One plan allows only a single savings rate, 5%; but the other eight have a range within which a participant may select the amount he will save. The lower limit is 1% in six plans and 2% in the other two (which have maximums of 5 and 6%).

The employee may change his savings rate within the specific limits of each plan. This may be done once a year in six plans, twice a year in one plan and four times a year (at the end of each quarter) in another. In all cases, the new rate starts with the effective date of the change and may not be applied retroactively.[3]

All nine plans allow an employee to suspend contributions entirely for specified periods of time. In six of these, any suspension must be for a minimum of three months, and five of the six stipulate a maximum of twelve months. Among these five plans with a maximum, one requires at least one year between suspensions; three allow no more than twelve months' suspension in any five years; and one allows no more than twelve months' suspension during any three years.

The remaining three plans do not set a three-month minimum on suspensions, nor are any limits put on the frequency of suspensions. In one plan, the employee may only stop contributions if his pay falls to 75% or less of normal, and then only for five pay periods. In the other two plans, suspensions can be made at any time, but savings cannot be renewed until March 1 in one plan or until the next quarter in the other.

Of course, suspension of contributions entails penal-

[1] Three specifically limit the plan to full-time employees, and two make specific provision for some part-time employees.

[2] Two plans specifically state that an employee must participate in the contributory pension plan to become and to remain a member of the savings plan.

[3] In one plan, if an employee saves less than the 6% maximum during any year, he may make up the difference by raising his savings rate to 8% or 10% during the subsequent two-year period.

ties. No company contributions are made during this time. Two plans do not count the time for vesting purposes. And usually if an employee exceeds the maximum suspension, he is forced to withdraw from the plan, with the possibility of losing some or all of the company contributions.

Company Contributions

In eight plans, there is only a single rate of company contribution—50% of employee savings in five plans and 25% in three.[1] In the other plan, the company contribution depends on the length of time the employee has participated in the plan:

Less than 5 years' participation	50%
5 to 10 years' participation	75%
10 years' or more participation	100%

Investment of Funds

Naturally, a large part of company and employee contributions are invested in government securities and company stock. But in five of the nine plans, a trustee-managed fund of diversified securities is an alternative investment. And in two of these, contributions must be invested in this type of fund.

Besides providing a variety of investment media, the long-term plans also vary as to the control a participant may exercise over how the funds are invested. The scope of the employee's investment decisions falls into three patterns: (1) no employee participation in investment decisions; (2) the employee may direct the investment of his own savings within specified limits but not the investment of the company's contributions; and (3) he may direct the investment of both his savings and the company contributions.

1. Three plans allow the employee no voice in the investment of either his savings or the company's contribution:

- One plan states that both employee savings and company contributions must be invested in company stock.
- Two plans stipulate that all funds are to be invested by the trustee in a fund of diversified securities.

2. Five plans fix the investment of company contributions but allow the employee a voice as to how his own savings are to be treated. All five stipulate that the money the company contributes must be used to buy company stock. The employee may direct the investment of his own savings within the limits specified by each plan:

- In one plan an employee may use his own savings to buy government securities or company stock, but not both at the same time. However, he can change his investment directions once each year, although he cannot sell one type of security to buy the other.
- In one plan an employee has two choices for his own savings: (1) he can put all into government securities or (2) he can put part into governments and part into company stock. If he takes the latter option, he must invest at least 25% in one and the balance in the other. In this plan, not only can the employee change his investment directions once each year, but after contributing without a withdrawal for five years, he can sell one type of security to buy the other. Once a year he may transfer either 25% or 50% of his savings in one security to the other. However, if his interest in the fund is valued at $250 or less, he may transfer 100%.
- Under one plan the employee's option is between United States savings bonds and a fund composed of a trustee-selected group of common stocks (which may not include company stock).

He may direct investments in either or both; but if both are chosen, the employee cannot invest less than 10% of his monthly deduction or $1 (whichever is greater) in either option. An employee may change investment directions at any time and has the right to transfer from one investment to the other.

- One plan allows an employee to invest all his savings in United States Government securities or split them equally between any two of the following three options: governments; company stock; or a trust fund of common stock.[1] The employee may change his investment directions once a year. And after he has participated for thirty-six months without a withdrawal, he may transfer either one-half or all of his interest in one security to either or both of the other two options once a year. But no more than half of his savings may be invested in either company stock or the common-stock fund at any time.
- One plan allows an employee to invest in any or all of the same three options available in the plan above—that is, government securities, company stock, or a fund of trustee-selected commons.[2] The only proviso is that no less than 25% of his savings can be invested in any of the options.[3]

[1] One plan allows the board of directors to authorize additional contributions.

[1] The common-stock fund under this plan may be either a "list of common stocks selected by the trustee" or a "comingled common-stock trust fund for employee benefit trusts" at the trustee's option.

[2] Company stock cannot be included, nor may the trustee select the stock of any corporation engaged in the company's business.

[3] Total holdings in the company stock fund, however, are limited to 1% of the outstanding shares. If this maximum is reached or anticipated, investment is suspended, and the participant must elect one or both of the alternatives for investment of both his savings and the company's contributions. When the investment sus-

The employee may change his investment directions "from time to time." In addition, he may transfer amounts from one fund to another once a year, but any transfer must affect at least 25% of the value of his savings in the fund from which the transfer is made.

3. One long-term plan gives the employee some control over the investment of both his own savings and the company's contributions:

- Under this plan, the employee chooses between United States Government bonds and company stock, though he may also leave funds in cash. There is no requirement as to the proportion of funds that must go into any option; the participant may elect to put all savings and contributions in bonds, all in stock, all in cash, or any combination of these. In addition, if he invests in company stock, he may select common or preferred.

The employee may change his investment directions every three months. And he is permitted to transfer funds from one option to another by selling some securities and buying others. However, if he sells an issue of company stock, he may not buy that same issue for six months, either with the proceeds of a sale or with his regular deductions.

Rights at Termination of Employment

All nine of these plans yield the entire account to a participant when he retires. Similarly, all employee savings and company contributions are turned over to the employee in the event he becomes totally and permanently disabled, or to his beneficiary if he dies, regardless of how long he may have participated in the plan.

If employment is terminated for other reasons, the employee receives all funds "attributable" to his own savings, of course.[1] In one plan he receives all company contributions, as well. But in the other eight plans, the amount of the company contribution he receives depends on how long he has participated in the plan at the time of termination.

- One plan pays any matching company contributions on savings that have been held for three years or longer.
- One plan requires three years of participation; an employee then receives all company contributions except those made in the twenty-four months preceding termination.
- In three plans, a participant receives all company contributions if he has five years in the plan at termination.
- In one plan, 10% of company contributions are vested for each year of participation; thus an employee with ten years in the plan will receive all company contributions at termination.
- Another plan also requires ten years of participation for full vesting of company contributions, but an employee with less than three years of service does not receive any company contributions. Termination during the fourth year of participation yields him 30% of company funds in his account, and 10% is added in each successive year.
- In one plan, 7½% of company contributions are vested for each year of participation; thus an employee needs fourteen years in the plan to receive all company contributions at termination.

Availability of Funds Prior to Retirement

Although the normal payoff under these long-term plans is at retirement, all permit the participant to withdraw at least some of the funds before this.

The employee always has access to his own savings in all nine of the plans. Similarly, company contributions can be withdrawn, at least in part, at some time before retirement under all but one.

In this single plan, company contributions can not be withdrawn during employment, though the employee can quit the program at any time, or make a partial withdrawal of his own savings without forfeiting company contributions that have already been made. Even so, he faces severe penalties if he withdraws any of his own funds. This is so because any withdrawal has the effect of reducing the rate of contributions the company makes. Under this plan, the company contributes either 50%, 75%, or 100% of the employee's deposit, according to whether he has participated, since his last withdrawal, for less than five years, for five years to ten years, or for ten years or longer, respectively. Thus if the employee withdraws any or all of his deposits, he loses at least half the company contributions that would otherwise have been made for five years.[1]

And if this penalty is not a sufficient deterrent, there is also a suspension penalty for excessive withdrawals. The employee's deposits are suspended for twenty-four months if his total withdrawals since his last suspension (or since last starting his participation) exceed half of the deposits he has made since then, or if he withdraws anything within two years

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pension is lifted, company contributions automatically go into company stock again, but a new investment election must be filed if the employee wants to resume investing his savings in company stock.

[1] The plans define the funds "attributable" to employee contributions in various ways too involved to discuss here. Broadly, the plans aim at two different objectives: (1) in four plans, the employee is guaranteed, at a minimum, the same amount of *cash* that he put into the program so long as this is no more than the value of his entire account; (2) in five plans, the employee is guaranteed at least the *value* of the securities bought with his savings, plus the value of any reinvested earnings from those securities.

[1] This is so even if the participant has been in the program less than five years, since, participation being counted from the latest withdrawal, the period when his 100% rate begins is pushed back five years.

of his latest withdrawal or resumption of deposits. The same two-year suspension follows the third withdrawal during a five-year term under the plan.[1]

The key to withdrawal privileges under the eight other plans is the time when company contributions are vested in the employee, as previously described under termination benefits. Prior to this vesting of some or all company contributions, if an employee wants to withdraw funds, he must withdraw all of his own savings. In this case, he loses all company contributions; he cannot re-enter the plan for one year; and at that time he must re-enter as a new employee.

After any company contributions have been vested in him, an employee can withdraw his entire account, including the vested company contributions. But again, he must wait one year before he can enter the plan, and he comes in as a new member.

In five of the eight plans, only the types of withdrawal described above are allowed prior to termination. That is, if an employee makes a withdrawal, he must withdraw everything that is available to him at that time—all of his own contributions plus any vested company contributions.[1] He must re-enter the savings plan as a new member no earlier than one year later.

The other three plans allow the employee to make a *partial* withdrawal of funds, however, after the employee has met the vesting requirement (five years' participation in two plans and three years in the other). In two plans, an employee may withdraw up to one-third of his entire account, including company contributions, once every two years. However, a partial withdrawal brings a suspension of contributions for six months in one plan and for a year in the other.

The other plan that provides for partial withdrawals after the vesting period of three years allows an employee to withdraw his entire account, minus company and employee savings made in the preceding two years. After a partial withdrawal, the participant is suspended for six months and he may not make any withdrawals for another year.

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[1] Beginning with the employee's latest start of participation (either initial entrance or following a termination or suspension), participation time is divided into successive five-year terms for purposes of this provision.

[1] Forfeited company contributions are eventually distributed to the remaining participants as extra contributions in four plans; three apply forfeitures to reduce the company's future contributions. (For one plan information on this point is not available.)

Management Bookshelf

The Origins of Recent Labor Policy—This monograph traces the evolution of labor's "right to organize" into its first, written, legal statement in the National Industrial Recovery Act in 1933. The author studies the forces which brought this to pass: the business community, the trade union movement, and the attitude of the Administration in Washington. His account includes many quotations from management journals, national periodicals, union newspapers, and Congressional hearings. *By Grant N. Farr, University of Colorado Press, Boulder, Colorado, 1959, 111 pp., $2.*

Professional Practices in Management Consulting—This book outlines some of the professional procedures, approved by the Association of Consulting Management Engineers, that may be followed by management consulting firms in procuring and serving clients. Also discussed are the personal conduct and professional qualifications of the individual consultant. The material contains the Code of Ethics of the Association. *The Association of Consulting Management Engineers, U. S. A., New York, New York, 1959, 96 pp. $2.75*

Programming Business Computers—The authors present in detail techniques for programming computers for business data processing applications. Making reference to a hypothetical computer called DATAC, the authors describe methods of flow-charting, coding, developing subroutines, etc., and discuss a number of other operations involved in the use of electronic computers in business. *By Daniel D. McCracken, Harold Weiss and Tsai-Hwa Lee, John Wiley & Sons, New York, New York, 1959, 510 pp. $10.25.*

Toward a Geography of Price—Presents the results of research in a theory of geographically influenced price ranges and proposes a method of relating geographical and historical price variations in agricultural commodities to variations in "economic population potential" and "product supply space potential." *By William Warntz, University of Pennsylvania Press, Philadelphia, Pennsylvania, 1959, 117 pp. $5.*

Industrial Administration—The first half of this text describes and defines basic management concepts, while the second half covers techniques requisite to the performance of vital management functions. *By Stanley Vance, McGraw-Hill Book Company, Inc., New York, New York, 1959, 570 pp. $7.*

Management of the Sales Force—A text covering four major areas: organization of a sales department; operating a sales force; planning sales force activities and operations; and analysis of sales operations. *By W. J. Stanton and R. H. Buskirk, Richard D. Irwin, Inc., Homewood, Illinois, 1959, 712 pp. $8.70.*

Wage and Fringe Developments in Bargaining

The Alcoa agreement with three unions has certain similarities to the new steel contract. Con Edison's new labor agreement is also summarized here

THE AGREEMENTS between the Aluminum Company of America and its three major unions — the United Steelworkers, the United Automobile Workers, and the Aluminum Workers International — resemble, in many respects, the pattern of certain other recent significant contract settlements. In particular, changes in pensions and group insurance are similar to the new basic steel contract. Wage changes, however, both in terms of the amount and the number of increases, do not follow the steel pattern.

Alcoa's new wage rates are retroactive to August 1, 1959, and an increase is granted in each year of the contract's three-year term. For Steelworkers, the first year's hikes range from 1.1 cents an hour to 5 cents, depending on location. In the second year, the increase for the Steelworkers ranges from 6 to 7.3 cents an hour, while third-year increases are from 6 to 7.4 cents an hour.

For Auto Workers and Aluminum Workers, increases also vary according to location. Generally they average about 5 cents the first year, 7 cents the second, and 8.5 cents the third. In addition, the spread between job classes is increased in the Steelworker and Aluminum contracts. The range is from 0.1 cent to 0.2 cent an hour, but not all locations receive an increment each year. The auto contract contains, in addition to the general wage increase, special adjustments totalling slightly more than 2 cents an hour over the three-year contract period.

The provision in the old contract for cost-of-living adjustments is continued, but no further increase is permitted in the 17-cent c-of-l adjustment until August 1, 1960. And thereafter, such increases are limited to 3 cents an hour in each of the second and third contract years.

Several important pension changes take place. Monthly pension payments are increased to $2.60 per month per year of service on or after January 1, 1960; prior to that date, $2.50 per month per year of service is paid. Pension payments to employees retired before January 1, 1960 are increased by $5 a month. And the deduction for Social Security, where applicable, is reduced from $85 to $80 a month for employees retiring on or before January 1, 1960.

In addition, the contract follows the steel pattern in granting a lump-sum payment to each retiring employee in the amount of thirteen weeks' vacation pay (less any vacation received or due in the year of retirement). Regular monthly pension payments begin the fourth month after retirement.

Other pension changes include an increase in the minimum disability pension from $90 to $100 per month. A regular retirement pension is granted for an employee who is fifty-five or over, who has completed fifteen or more years' service and (1) who is laid off as a result of permanent plant or department shutdown, or (2) who because of layoff, sickness, or accident has been absent continuously for a period of five years. If an employee is laid off and there is little likelihood of his being recalled to work, a regular retirement pension at age fifty with fifteen years' service is also permissible under conditions mutually satisfactory to the company and the employee. And at age sixty with thirty years' service, a regular retirement pension is again permissible in certain cases.

Notable among changes in the insurance program is a provision that grants limited hospitalization and reduced surgical benefits for present and future retirees and their wives. The coverage becomes available August 1, 1960. The contract also provides for full company payment of the group insurance program that was contributory under the old contract.

Sickness and accident benefits are changed from a flat $46.50 a week to a scale of from $53 to $68 a week, depending on the labor grade. This averages about $58 a week. In addition, life insurance for laid-off workers is carried by the company for six months, with the employee having the option of continuing the coverage for an additional eighteen months at a cost to him of $3 a month. Hospitalization and surgical benefits will be continued for six months for laid-off workers who have two or more years' service. Also, the provision for a deferred vested retirement pension is expanded to include termination of employment for any reason when the employee reaches age forty and has fifteen or more years of service.

Con Edison and Utility Workers in New Contract

The new agreement between the Consolidated Edison Company and the Utility Workers Union grants

(Text continued on page 36)

Significant Pay Settlements

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
PRIMARY AND FABRICATED METALS		
Aluminum Company of America with *Steelworkers, Aluminum Workers,* and *United Auto Workers.* Nationwide. 23,000 hourly Effective 8-1-59 (signed 12-59). Contract expired New contract: 3 years	*Steelworkers* — General increases ranging from 1.1¢ an hour to 5¢ an hour, depending on location. Additional increment increases between job classes Deferred: 8-1-60—from 6¢ an hour to 7.3¢ an hour general increase 8-1-61—from 6¢ an hour to 7.4¢ an hour general increase, plus 0.2¢ an hour increment increase Escalator clause continued with increase limited to 3¢ each in 2nd and 3rd years *Aluminum Workers*—From 3¢ an hour to 5¢ an hour general increase, plus 0.1¢ increment between job classes in some locations Deferred: 8-1-60—From 4¢ to 7.1¢ an hour increase, plus 0.1¢ or 0.2¢ increment between job classes 8-1-61—4.5¢ to 8¢ an hour, plus from 0.2¢ to 0.3¢ increment between job classes *UAW*—From 4¢ to 5¢ an hour general increase, plus wage adjustments ranging from 0.45¢ to 0.91¢ an hour Deferred: 8-1-60—From 6.1¢ to 7.1¢ an hour general increase, plus adjustments ranging from 0.2¢ to 0.47¢ an hour 8-1-61—From 7¢ to 8¢ an hour, plus adjustments rangings from 0.69¢ to 1.39¢ an hour	Revised: Group insurance plan; pension plan Added: Hospital-surgical benefits extended to retired employees and their wives
American Smelting & Refining Co. with *Mine, Mill & Smelter Workers, ind.* Nationwide. Approximately 6,000 hourly Effective 7-1-59. (signed 12-10-59) Contract expired New contract: 2 years	7¢ to 9¢ per hour general increase Deferred increase: Additional 7¢ to 9¢ per hour, effective 7-1-60	Added: 2 weeks' vacation after 3 years, effective 1st year; extra day for each year's service from 11 to 15 years, effective 7-1-60; health and welfare plan Revised: Holiday pay; funeral leave provisions; jury duty pay at some plants
Reynolds Metals Co. with *Steelworkers.* Nationwide. 8,000 hourly Effective 8-1-59. (signed 12-19-59) Contract expired New contract: 3 years	1.1¢ per hour general increase, plus 0.2¢ on increments between job classifications at Troutdale, Oregon plant; 3.5¢ per hour general increase at McCook, Illinois plant; 5¢ per hour general increase at all other plants; escalator clause continued with increases limited to 3¢ each in 2nd and 3rd years Deferred increase: Additional 6¢ per hour at Troutdale, 6.3¢ per hour at McCook, 7.3¢ per hour at all other plants, effective 2nd year; additional 6¢ per hour at Troutdale, 7¢ per hour at McCook, 7.4¢ per hour at all other plants, plus 0.2¢ on increments between job classifications for all groups, effective 3rd year	Added: Hospital-surgical benefits extended to retired employees and their dependents Revised: Health & welfare coverage changed from contributory to noncontributory basis; pension plan
Robertshaw-Fulton Controls Co. with *Steelworkers* in Youngswood, Pa. Approximately 1,000 hourly Effective 12-16-59. Contract expired New contract: 3 years	7.5¢ per hour general increase Deferred increase: Additional 6¢ per hour, effective 2nd and 3rd years	Revised: Pension improvements similar to U.S. Steel agreement
United States Steel Corporation and major basic steel companies with *Steelworkers.* Nationwide. 500,000 hourly Effective 1-4-60. Contract expired New contract: 30 months	No immediate wage increase Cost-of-living adjustment limited to a maximum of 3¢ an hour Dec. 1, 1960 and additional 3¢ in 1961. Cost-of-living adjustments subject to insurance costs Deferred: 7¢ per hour general increase 12-1-60, plus 0.2¢ increment between job classes. Additional 7¢ per hour increase 10-1-61, plus 0.1¢ increase in job-class increments	Revised: Noncontributory group insurance; liberalized sickness and accident benefits; life insurance and pensions

Significant Pay Settlements—continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
	STONE, CLAY AND GLASS PRODUCTS	
Corning Glass Works with *Flint Glass Workers* in Corning, N.Y. Approximately 5,300 hourly Effective 12-18-59. Contract expired New contract: 1 year	3¼% (6½¢ per hour minimum) general increase, retroactive to 11-30-59	Revised: Hospital and medical insurance; vacation provisions; premium holiday pay; jury duty pay; seniority provisions
Jeannette Glass Co. with *Flint Glass Workers* in Jeannette, Pa. 450 hourly Effective 9-1-59. Contract expired New contract: 2 years	4% (calculated to nearest ½¢) general increase on base hourly rates for automatic machine operators and employees in miscellaneous operations; comparable amounts on incentive rates Deferred increase: Additional 3% (calculated to nearest ½¢) on base hourly rates; comparable amounts on incentive rates; additional 1½¢ per hour on night shift differential, effective 9-1-60	Added: Insurance plan; holiday pay for employees laid off not more than 15 day prior to holiday Revised: Funeral leave provisions
Owens-Illinois, Kimble Glass Co. subsidiary with *Flint Glass Workers* in Vineland, N. J. 1,050 hourly Effective 10-16-59. Contract expired New contract: 2 years	3% general increase on base hourly rates; and comparable amounts on incentive rates, retroactive to 9-7-59 Deferred increase: Additional 3% on base hourly rates, and comparable amounts on incentive rates, effective 9-5-60	Added: 7th paid holiday
	OTHER DURABLE MANUFACTURING	
Kearney & Trecker Corp. with *Employees' Union ind.* in Milwaukee, Wis. Approximately 1,100 hourly Effective 12-14-59. Contract expired New contract: 27 months	10¢ per hour average general increase, (includes removal of bonus plan for indirect and nonrated operations). 5% and 7% shift differentials Deferred increase: 2.5% (7.2¢ per hour average) effective 2-6-61	Added: Insurance benefits; 3 weeks' vacation after 12 years
Kelsey-Hayes Co., Utica Drop Forge & Tool Div. & Metals Div. with *IAM* in Utica, N. Y. 1,400 hourly Effective 10-3-59. Contract expired New contract: 3 years. Wage reopening 9-1-60	No general increase	Added: ½ paid holiday, making a total of 7½ days; jury duty pay
Lufkin Foundry & Machine Co. with *Molders, Boilermakers* and *IAM* in Lufkin, Tex. Approximately 1,000 hourly Effective 11-2-59. Contract expired New contract: 2 years. Wage reopening 9-60.	5¢ to 7¢ per hour general increase	Revised: Vacation provisions
Sprague Electric Co. with *Condenser Workers Union, ind.* in North Adams, Mass. 2,500 hourly Effective 11-2-59. Contract expired New contract: 4 years	4¢ per hour general increase Deferred increase: Additional 4¢ per hour November, 1960, 1961 and 1962; 2½ time for holidays worked, effective 11-1-62	Added: Contributory pension plan, effective 1961; $250 add'l life insurance in 1962 and 1963 Revised: Hospital benefits; vacation provisions
	NONDURABLES	
American Cyanamid Co. with *Chemical Workers* in Bound Brook, N. J. 1,887 hourly Effective 11-9-59. Contract expired New contract: 2 years. Wage reopening 2nd year	9¢ per hour general increase; additional 5¢ per hour on week-end premium	Revised: Vacation provisions
American Oil Co., El Dorado Refinery with *OCAW* in El Dorado, Ark. Approximately 370 hourly Effective 11-11-59. Contract expired 4-30-59 New contract: 17 months. Wage reopener 11-11-60	No general increase	Revised: Funeral-leave provisions; holiday pay clause; recall rights for laid-off employees

Significant Pay Settlements—continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Chemical Workers with *International Chemical Workers Representatives Assn.*, Nationwide. 40 salaried Effective 12-4-59. First contract Contract expires 1-1-62	New rate: $140 per week Deferred increase: $15 per week for all permanent international representatives, effective 5-2-60	Added: 2 weeks' vacation after one year, 3 weeks after 10 years; pension program Revised: Life insurance benefits, effective 8-15-60
Eastern Fine Paper and Pulp Division, Standard Packaging Corp. with *Office Employees*, in Brewer and Lincoln, Me. 118 salaried Effective 9-1-59. Contract expired New contract: 1 year	5½¢ to 7½¢ per hour general increase	Revised: Vacation—3 weeks after 10 years
Hooker Chemical Corporation with *Employees Union, ind.* in Niagara Falls, N. Y. 1,300 hourly Effective 10-1-59. Contract expired New contract: 2 years. Reopening 10-1-60	11¢ per hour general increase	No change
Hudson Pulp & Paper Co. with *Pulp, Sulphite & Paper Mill Workers* and *Papermakers & Paperworkers* in Palatka, Fla. Approximately 1,200 hourly Retroactive to 6-1-59. Contract expired New contract: 2 years	3% (7¢ per hour minimum) general increase Deferred increase: Additional 4% (8¢ per hour minimum), effective 2nd year	No change
New York Lamp & Shade Mfrs. Assn. with *IBEW* in New York, N. Y. Approximately 3,000 hourly Effective 12-16-59. Contract expired New contract: 2 years	7½¢ per hour general increase; time and a half plus straight time paid for holidays worked Deferred increase: 7½¢ per hour, effective 12-16-60	Revised: Surgery and hospitalization benefits and increased company contribution to insurance plan, effective 7-1-60
Pasco Packing Co. with *RWDSU* in Dade City, Fla. 800 hourly Effective 12-18-59. Contract expired 9-30-59 New contract: 3 years. Wage reopenings 2nd and 3rd years	6¢ per hour general increase	Revised: Vacation plan
Penn Fruit Co. with *Teamsters, ind.* in Philadelphia, Pa. 3,500 hourly & salaried Retroactive to 8-1-59. Contract expired New contract: 32 months	$5 per week general increase; new rates of $1.37½ per hour for part-time employees; $59 per week starting rate for men clerks, produce and delicatessen clerks and all cashiers; $107 per week for meat department backroom men Deferred increase: $4 per week after 16 months	Added: 4 weeks' vacation after 20 years, effective 1-60; prorated vacations for part-time employees Revised: Health-welfare benefits
Walter Baker Chocolate Co. with *Meat Cutters* in Dorchester, Mass. 728 hourly Retroactive to 8-26-59. Contract expired New contract: 2 years; reopening 8-27-60	8¢ to 13¢ per hour general increase; shift differentials increase to 10¢ and 15¢ per hour	No change
	NONMANUFACTURING	
Committee for Companies and Agents, Atlantic & Gulf Coasts (American Merchant Marine Institute) with *NMU* in Atlantic and Gulf Ports. Approximately 25,000 hourly Effective 1-1-60. Wage reopener Contract expires: 6-15-61	4.5% general increase in basic wage and overtime rates	No change
Consolidated Edison Company with *Utility Workers* in New York City. 22,000 hourly Effective 12-1-59. Contract expired New contract: 2 years	From 10¢ to 17¢ per hour general increase, retroactive to 9-6-59. Shift differential increased from 5% to 7.5%, effective 1-3-60 Deferred increase: 10¢ to 12.5¢ per hour additional increase, effective 9-4-60	Revised: Travel time and minimum overtime; vacation provisions; holidays guaranteed; meal allowances
Foster-Grant Co., Inc. with *RWDSU* in Leominster, Mass. Approximately 800 hourly Effective 11-1-59. Contract expired New contract: 1 year	10¢ per hour for Chemical Division 7¢ per hour general increase for hourly rated employees; 5¢ per hour for pieceworkers	Revised: Pension plan; vacation provisions; insurance coverage for spouse of deceased pensioner

Significant Pay Settlements—continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
National Assn. of Building Owners and Managers with *Building Service Employees* in Chicago, Ill. 2,000 hourly Effective 9-28-59. Contract expired New contract: 2 years	5¢ per hour general increase; $2.16 per hour new starting rate for operators Deferred increase: Additional 5¢ per hour, effective 2nd year	No change
New Jersey Bell Telephone Company with *Commercial Telephone Workers of New Jersey, ind.* 2,250 salaried Effective 11-21-59. Contract expired New contract: 15 months	From $1.50 to $5 per week general increase	No change
New York Telephone Company with *Telephone Traffic Union* in New York City. 16,000 salaried Effective 11-18-59 (signed 12-18-59). Contract expired New contract: 15 months	From $1.50 to $3 per week general increase	No change

[1] All unions are affiliated with the AFL-CIO unless otherwise indicated.

(Text continued from page 32)

a general wage increase of from 10 to 17 cents an hour, retroactive to September 5, 1959. Wage rates will be upped another 10 cents to 12.5 cents an hour in September, 1960.

The contract also raises minimum and starting rates to the extent necessary to maintain the pay structure's relationships. The 5-cent higher maximum rates, which were limited to employers with twenty-five years or more of service, are now made part of the normal wage progression plan applicable to all employees. In addition, the rate of progression, which is 5 cents each six months of satisfactory service, up to the employees established maximum rate, is increased to 7.5 cents each six months, up to the rate of $2.745 (or the established maximum rate if lower) as of January 3, 1960. This break point is increased to $2.845 as of September 4, 1960.

Other contract changes include for workers on the midnight shift a differential increase from 5% to 7.5% of straight-time pay. Call-in pay is increased to a minimum of four hours at overtime rates, plus travel-time compensation of two hours' overtime pay.

The contract also establishes meal allowances of $1.50 for the first ten or more hours' work and a second meal allowance of the same amount when the hours worked exceed a total of sixteen. The contract also guarantees eleven paid holidays and grants three weeks' vacation to employees with ten or more years' service. The contract expires December 1, 1961.

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Division of Personnel Administration

Studies in Personnel Policy

No. 175—Forms and Records in Personnel Administration
No. 174—Severance Pay Patterns in Manufacturing
No. 173—Compensation of Top Executives
No. 172—Preparation for Collective Bargaining
No. 171—Company Medical and Health Programs (Revised)
No. 170—Automobile Allowances for Sales Personnel
No. 169—Statements of Personnel Policy
No. 168—Charting the Company Organization Structure
No. 167—Clerical Salaries in Eighteen Cities
No. 166—The Alcoholic Worker
No. 165—Organization of Staff Functions
No. 164—Clerical Salaries in Twenty Cities
No. 163—The Company and the Physically Impaired Worker
No. 162—Sharing Profits with Employees
No. 161—Selecting Company Executives
No. 160—Executive Development Courses in Universities *(Revised)*
No. 159—Trends in Company Group Insurance Programs
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No. 151—Tuition Aid Plans for Employees
No. 150—Handbook of Union Government, Structure and Procedures
No. 149—Pension Plans and Their Administration
No. 148—Retirement of Employees—Policies, Procedures and Practices
No. 147—Company Health Programs for Executives
No. 146—Company-Paid Sick Leave and Supplements to Workmen's Compensation
No. 145—Personnel Practices in Factory and Office

In the February Business Record

Profiles of Business Recovery: Canada and U.S.A.—Although closer economic ties have been developing between the United States and Canada during the past fifteen years, they have not substantially increased Canada's susceptibility to United States business conditions. Because of Canada's heavy overseas export trade, its business cycle, although strongly influenced by United States characteristics, is also affected by developments abroad. Yet, the tendency for both economies to move in the same direction persists, and may become decisive for Canada when the U.S. change of pace is vigorous or prolonged.

The 300 Largest Manufacturers in 1958—Fourteen new firms appear on The Conference Board's listing of the nation's 300 largest manufacturers for 1958. One new company entered the top one-hundred bracket, and seven made their first appearance in the second-hundred grouping. In addition to rank by asset size, the listing for the top 200 companies includes net worth, sales, number of employees, and income after taxes as a percentage of both sales and net worth. Comprehensive tables help to tell the story.

Railroads in 1959—While net earnings of Class I roads continued to decline last year, the decrease was not so great as in the previous three years. Perhaps more so than most industries, the railroads' business was severely curtailed, on the freight side, by the steel strike. December operations, however, put the railroads back on the track of recovery. This three-page chart spread gives the salient facts, including a look at how other carriers have been increasing their share of total freight and passenger business at the expense of the railroads' share.

Discretionary Income: 1959 Record—In the fourth quarter of 1959, The Conference Board's discretionary income series rose \$2.4 billion, an increase somewhat less than the decline that had occurred in the preceding quarter. Discretionary income remained almost \$2 billion below its rate in the peak second quarter, despite the record rise in disposable income. But discretionary income for the year as a whole was 9% above that in 1958. Essential outlays advanced \$3.6 billion (annual rate) between the fourth quarter of 1958 and the fourth quarter of 1959, with food and clothing outlays amounting to their smallest proportion of disposable income since World War II.

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